FOREWORD OF THE HEAD OF SERVICE

This report presents the main results and achievements obtained by FPI in its sixth year of activity. In coordination with the European External Action Service (EEAS) and under the direct authority of the High Representative / Vice President of the Commission, the FPI mission is to help the EU achieve the objectives of its foreign and security policy through implementing financing and regulatory instruments closely connected to the EU foreign policy agenda.

FPI is characterised by the diversity and complexity of its activities, a volatile and fast-evolving environment, with operations in high-risk and conflicts-prone countries. Its instruments are designed to respond rapidly and flexibly to changing policy priorities and are therefore essential for the successful implementation of the EU Global Strategy of June 2016, in particular as regards the approach to conflicts and crises.

Throughout the year, FPI demonstrated its commitment by delivering on important political priorities through timely interventions under the Instrument contributing Stability and Peace (IcSP) or through Common Security and Defence Policy (CSDP) Missions contributing inter alia to the rule of law, the fight against terrorism or to security sector reform. Furthermore, FPI contributes under the Partnership Instrument to the projection of EU interests abroad in areas ranging from climate change, the protection of the environment, energy security to migration or transport enhancing political partnerships with strategic partners and beyond, fostering peer-to-peer relationships and influencing partner’s policy making. FPI also provides the framework under which EU Elections Observations are deployed within very short deadlines.

As such, FPI operations contribute to the general objective Nr 9 "A stronger global actor" within the 10 Juncker Commission’s priorities and focusing on two main aspects¹:

- Increase EU position as a peace maker on the international scene;
- Advance and promote the EU and mutual interests on the international scene.

FPI achieves its objectives while at the same time being a relatively “lean” service, using its resources efficiently, with low overheads and relying on support from other services. The year 2016 was particularly challenging for FPI: the decision to create FPI sections in key delegations with regional dimensions to be even more reactive on the ground and to ensure swift and professional implementation of projects entailed important changes to the internal organisational structure. The reorganisation of FPI took place on 16 June 2016 and included centralisation of its financial management and revision of financial circuits, and of its audit functions. The reorganisation was successfully implemented with no impact on the operations of FPI. The deployment of regional teams to the key delegations is significantly advanced with the objective for all the teams to be fully operational in the second half of 2017.

¹ FPI Strategic Plan 2017-2020 mentioned 4 main aspects instead of 2. After an in-depth evaluation of the Partnership Instrument in 2016 for simplification, the 3 aspects related to this Instrument have been merged in one single aspect: 'Advance and promote the EU and mutual interests on the international scene'.

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<tr>
<td>AQIM</td>
<td>al-Qaeda in the Islamic Maghreb</td>
</tr>
<tr>
<td>AOD</td>
<td>Authorising Officer by Delegation</td>
</tr>
<tr>
<td>AOSD</td>
<td>Authorising Officer by Sub-Delegation</td>
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<tr>
<td>CFSP</td>
<td>Common Foreign and Security Policy of the European Union</td>
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<td>CPCC</td>
<td>Civilian Planning and Conduct Capability</td>
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<td>CSDP</td>
<td>Common Security and Defence Policy</td>
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<td>DAS</td>
<td>Statement of Assurance</td>
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<td>DCI</td>
<td>Development Cooperation Instrument</td>
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<tr>
<td>DDR</td>
<td>Demobilisation, disarmament and re-integration</td>
</tr>
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<td>DEVCO</td>
<td>DG for International cooperation and development</td>
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<tr>
<td>EAM</td>
<td>Exceptional Assistance Measure</td>
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<td>EAT</td>
<td>Election Assistance Team</td>
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<td>EC</td>
<td>European Commission</td>
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<tr>
<td>ECHO</td>
<td>DG for humanitarian and civil protection</td>
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<td>EDF</td>
<td>European Development Fund</td>
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<td>EEAS</td>
<td>European External Action Service</td>
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<td>EEM</td>
<td>Election Expert Mission</td>
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<td>EFM</td>
<td>Election Follow-up Mission</td>
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<td>EIDHR</td>
<td>European Instrument for Democracy and Human Rights</td>
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<td>EODS</td>
<td>Election Observation &amp; Democracy Support</td>
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<td>EOMs</td>
<td>Election Observation Missions</td>
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<td>EP</td>
<td>European Parliament</td>
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<td>European Union</td>
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<td>EUDEL</td>
<td>Delegation of the European Union</td>
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<td>EUSR</td>
<td>European Union Special Representative</td>
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<td>ExM</td>
<td>Election Exploratory Mission</td>
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<td>FPI</td>
<td>Service for Foreign Policy Instruments</td>
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<td>FWC</td>
<td>Framework Contract</td>
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<td>HQ</td>
<td>Headquarters</td>
</tr>
<tr>
<td>HR/VP</td>
<td>High Representative of the Union for Foreign Affairs and Security Policy/Vice-President of the Commission</td>
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<tr>
<td>ICI</td>
<td>Instrument for Cooperation with Industrialised Countries</td>
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<td>ICSP</td>
<td>Instrument contributing to Stability and Peace</td>
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<td>IFS</td>
<td>Instrument for Stability</td>
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<tr>
<td>ISC</td>
<td>Inter Service Consultation</td>
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<td>ISIL</td>
<td>Islamic State of Iraq and the Levant</td>
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<td>KP</td>
<td>Kimberley Process</td>
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<td>KPCS</td>
<td>Kimberley Process Certification Scheme</td>
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<td>KPI</td>
<td>Key Performance Indicator</td>
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<tr>
<td>LRRD</td>
<td>Linking Relief, Reconstruction and Development</td>
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<td>MENA</td>
<td>Middle East and North Africa countries</td>
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<tr>
<td>MSP</td>
<td>Mission Support Platform</td>
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<tr>
<td>NEAR</td>
<td>DG for Neighbourhood and Enlargement Negotiations</td>
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<tr>
<td>NPD</td>
<td>non-proliferation and disarmament</td>
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<tr>
<td>OLAF</td>
<td>European Anti-Fraud Office</td>
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<td>OSCE</td>
<td>Organization for Security and Co-operation in Europe</td>
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<td>post-conflict needs assessments</td>
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<tr>
<td>PDNA</td>
<td>post-disaster needs assessments</td>
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<td>PI</td>
<td>Partnership Instrument</td>
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<td>PRAG</td>
<td>Practical Guide to Contract Procedures for EU external actions</td>
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<td>PSC</td>
<td>Political and Security Committee</td>
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<tr>
<td>RELEX family:</td>
<td>DEVCO, ECHO, FPI, NEAR, TRADE</td>
</tr>
<tr>
<td>RER</td>
<td>Residual Error Rate</td>
</tr>
<tr>
<td>SALW</td>
<td>small arms and light weapons</td>
</tr>
<tr>
<td>SGBV</td>
<td>sexual and gender-based violence</td>
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<tr>
<td>SLA</td>
<td>Service Level Agreement</td>
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<tr>
<td>TEU</td>
<td>Treaty on the European Union (Lisbon Treaty)</td>
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<td>TFUE</td>
<td>Treaty on the Functioning of the European Union</td>
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<tr>
<td>TJRC</td>
<td>Transitional Justice and Reconciliation Commission</td>
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<tr>
<td>WPS</td>
<td>Women, Peace and Security</td>
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</table>
THE SERVICE IN BRIEF

The Service for Foreign Policy Instruments (FPI) supports the EU’s foreign and security policy objectives and helps the European Union to pursue its interests and to project its image in the world. It does so by implementing a number of financing instruments and foreign policy regulatory instruments (e.g. sanctions). The Service is directly attached to the High Representative/Vice-President and works closely with the European External Action Service delivering operations closely connected to the EU foreign policy agenda.

FPI is responsible for managing in particular financing instruments that are able to respond rapidly and flexibly to changing political priorities and are therefore essential for the successful implementation of the EU Global Strategy of June 2016.

These relate to the operational and financial management of Common Foreign and Security Policy (CFSP) operations (34% of FPI 2016 commitment budget); Instrument contributing to Stability and Peace (IcSP) crisis response (41%); Partnership Instrument (PI) (16%); Election Observation Missions (EOMs) (5%); and press and public diplomacy (PPD) (2%).

Altogether, FPI committed EUR 652.23 million and paid EUR 578.81 million in relation to the above operations.

In addition it implements the EU’s foreign policy regulatory instruments such as sanctions, the Kimberley Process on conflict diamonds, and the Regulation prohibiting trade in certain goods which could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment\(^2\).

These instruments contribute towards the implementation of the Lisbon Treaty, Article 21 (2) (c), under which the EU seeks to preserve peace, prevent conflicts and strengthen international security, in accordance with the purposes and principles of the United Nations Charter, the Helsinki Final Act and the Charter of Paris.

Sharing the same objectives, both services have in place working methods and procedures in all areas where they cooperate and they work together on a daily basis at all levels. FPI also coordinates closely with relevant Commission services. In doing so, the various EU actors remain attuned to assuring complementarity and coherence across the EU’s instruments.

The management environment in which the Service operates is determined by:

- The **evolution of world events** including unforeseen events/crises: the Service’s activities are shaped largely by external events and the evolution of the world political situation.

- The global scale and complexity of the **EU’s relations with the rest of the world**: FPI’s responsibilities require intensive coordination with the EEAS, the external relations services mentioned already as well as other Commission services. Maintaining business continuity and effective operations is a challenge in the face of complex and sensitive operations and high stakeholder expectations.

- **Increasing financial challenges**: the budget FPI manages has increased, with EUR 753 million in operational expenditure authorised in 2016 (appropriations for commitments) compared to EUR 745 million in 2015. Moreover operations in crisis situations by definition carry higher risks.

In addition, 2016 saw significant **changes to the internal organisation structure** of FPI: FPI pursued an approach consisting of regional teams where its staff would be concentrated in a few key delegations with regional outreach to provide economies of scale in the management of IcSP and PI projects and ensure closer management and control for FPI operations. The need to deploy a number of staff to these regional teams entailed internal reorganisation of FPI and centralisation of its financial management functions and financial circuits, and its audit functions. The reorganisation took place on 16 June 2016 and was successfully implemented with no impact on the FPI's operations.

On 1 September 2016 the Head of Service (AOD) of FPI Tung-Laï Margue took the position of the Head of Delegation in Sri Lanka, with the handover to Robert Krengel, who has been Acting Head of Service since then.
EXECUTIVE SUMMARY

The Annual Activity Report is a management report of the Head of Service of FPI to the College of Commissioners. It is the main instrument of management accountability within the Commission and constitutes the basis on which the College takes political responsibility for the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the Treaties\(^3\).

The executive summary has four subsections:

a) Key results and progress towards the achievement of general and specific objectives of the Service

b) The most relevant Key Performance Indicators (KPIs) for the illustration of policy highlights identified in the 2016-2020 Strategic Plan

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

d) Information to the Commissioner.

\(^3\) Article 17(1) of the Treaty on European Union.
a) Key results and progress towards the achievement of general and specific objectives of the DG (executive summary of section 1)

FPI's operations contribute to political priority number 9 “A stronger global actor” under the 10 political priorities of the Juncker Commission and underpin the EU Global Strategy: most of FPI operations and budget are directed to contribute to the world-wide preservation of peace, the prevention of conflicts and the strengthening of the international security. The EU’s regulatory instruments (e.g. sanctions, Kimberley process) are also included. The other FPI operations relate to the Election Observation Mission and the Partnership Instrument.

Altogether, FPI committed EUR 652.23 million and paid EUR 578.81 million in relation to the above operations.

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**Commitment Appropriations - Execution 2016 (EUR million)**

- 30,5 EOMs
- 104,3 PI
- 12,5 Press & Info
- 8,8 Support expenditure
- 271,5 ICSP
- 224,7 CFSP

**Payment Appropriations - Execution 2016**

- 20,7 EOMs
- 39,1 PI
- 13,7 Press & Info
- 8,4 Support expenditure
- 264 ICSP
- 238 CFSP
As regards the world-wide preservation of peace, the prevention of conflicts and the strengthening of the international security, the year 2016 is the second consecutive year when the worldwide insecurity shifted from an increasing trend since 2010 to a slight decrease in total worldwide conflicts, as measured by the Conflict Barometer of the Heidelberg Institute for International Conflict Research. Global instability, as measured by the number of conflicts (encompassing disputes, nonviolent crises, violent crises, limited wars and wars), decreased compared to 2015, from 409 conflicts worldwide to 402 of which 38 (as against 43 in 2015) are classified as highly violent (18 wars and 20 limited wars, respectively 19 and 24 in 2015). The Middle East and Maghreb is the region which witnessed 8 wars in 2016 – more than any other region. In Africa, 7 wars were observed, marking a decrease by 2: the war between Boko Haram and Nigeria, Cameroon, Chad, and Niger continued, although conflict-related deaths decreased by 75 % to approximately 3,000 compared to 2015. Furthermore, the number of the group's attacks outside Nigeria significantly decreased. As in previous years, the only violent conflict in Europe took place in Ukraine, where the situation remains unstable. The region least affected by wars was Asia and Oceania, which witnessed only one military conflict in Pakistan triggered by Islamic militant groups. While the EU cannot deploy resources to address all conflicts in 2016, and no direct correlation can be established between FPI interventions and any decrease in the overall number of conflicts, the results of the Conflict Barometer may be seen as a useful indicator of the EU’s global impact, together with the international community, as a stabilising force.

**Instrument contributing to Stability and Peace (IcSP)**

In 2016, a record amount of EUR 271.5 million was committed under the crisis-response component (EUR 244.5, including a budget reinforcement of EUR 18 million) and EUR 27 million for 7 new actions under the Annual Action Plan for conflict prevention, peace-building and crisis preparedness.

The Instrument remained at the heart of the EU diplomacy in crisis contexts with 80 % of crisis response actions adopted responding directly to political priorities as discussed in the Foreign Affairs Council. In addition, 3 actions (Bosnia and Herzegovina, Central African Republic and Ukraine) directly complemented the work of CSDP missions, thereby contributing to the implementation of the EU Comprehensive Approach in response to conflicts and crises. IcSP crisis response measures also complement EU humanitarian assistance, and contribute to the "Linking Relief, Reconstruction, and Development" (LRRD) approach. Under the IcSP Regulation, the Commission reports to the European Parliament and Council on every Exceptional Assistance Measure (EAM) on the rationale for intervention and the complementarity with other instruments. 41 new actions were presented to PSC of which 2 were later withdrawn because of the deterioration of the political circumstances (Burundi and Congo-Brazzaville).

Working in close cooperation with the EEAS and reflecting the EU’s foreign policy priorities, the IcSP responded directly and in a timely manner to the migration and refugee crisis, through a variety of targeted actions including enhancing the capacity of the Turkish Coast Guard to carry out search and rescue operations to save lives or by promoting the voluntary return of migrants stranded in Libya in the broader policy context of European Agenda on Migration and the 2016 Communication on Forced Displacement.

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4 Communication from the Commission of 13 May 2015 on “A European Agenda on Migration” (COM(2015) 240 final)
Another central focus of activity in 2016 was counter-terrorism and the prevention of radicalisation, in line with the Council Conclusions on Counter-terrorism of February 2015. IcSP actions were developed to respond to the terrorism and radicalisation threats in the Middle East (Jordan, Lebanon, Syria), Iraq, Turkey, North Africa (Tunisia, Libya), West Africa (Burkina Faso, Ivory Coast and Nigeria) as well as the Horn of Africa.

Responding to the consequences of the crises in Syria and in Ukraine remained a central preoccupation, with the adoption of support envelopes of respectively EUR 38.5 and EUR 25.6 million in 2016 which dealt inter alia with efforts to track and sustain peace negotiations and to deal with the real needs of conflict-affected populations. IcSP support of EUR 20.6 to the Colombian Peace Process bolstered the EU presence in the negotiations including the role of the EU Special Envoy. This ability to quickly deliver on political commitments gave the EU unprecedented political access and credibility in the country.

Given the IcSP’s focus on stabilisation actions in crisis contexts, FPI was closely involved in the ongoing discussions within the EU institutions on how to address the current gap in the EU toolbox related to supporting partner countries’ military actors in providing the stability needed to enable development activities. A legislative proposal on Capacity Building in support of Security and Development (CBSD) was tabled in July 2016 to amend the IcSP Regulation with the view to inserting a new Article to extend the Union’s assistance, under exceptional circumstances, to build the capacity of military actors in partner countries in order to contribute to sustainable development and the achievement of peaceful and inclusive societies.

Crisis preparedness actions continued to support EU efforts in peacebuilding in fragile and conflict affected countries and, in line with Council Conclusions on Conflict Prevention of July 2011, these actions contributed towards increasing emphasis on early action and strengthened capacity at community level to design operational and realistic options for preventive action. Measures included: continued investment in capacity-building of grass-root level civil society to engage in peace-building and conflict prevention actions across 30 conflict-affected countries; enhancement of an European-level dialogue between civil society and EU institutions on conflict prevention and peace-building; mediation support to peace processes; continued support for pre-deployment training for civilian crisis management and stabilisation missions worldwide; promotion of responsible sourcing of minerals originating from conflict-affected regions; provision of expertise to support security sector reform in conflict-affected countries and strengthening the capacities of regional organisations and national governments to draw up their own Post Disaster Needs Assessment and Recovery Preparedness Plans.

Foreign Policy Regulatory Instruments

In its role as the Commission’s lead service on restrictive measures or sanctions and as part of EU efforts to strengthen the fight against terrorist financing, FPI has taken action to ensure swift and effective implementation of UN sanctions, in particular those directed against ISIL (Da’esh) and Al Qaida. FPI has also been representing the Commission in meetings of the E3+3-Iran sanctions expert committee that has been set up under the nuclear deal concluded in 2015 and has been developing further Commission guidance on the implementation of certain restrictive measures in view of Russia’s actions destabilising the situation in Ukraine. Throughout the year, FPI has shown its ability to table complex EU sanctions proposals in record time and ensure that the EU quickly reacts to political developments.

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Representing the EU in the Kimberley Process (KP) on conflict diamonds, FPI successfully ensured the unanimous support from all 81 KP member countries for the EU’s bid to become KP Vice-Chair in 2017 and KP Chair in 2018 - partly by working out a partnership arrangement with India, which has been selected as KP Vice-Chair for 2018 and KP Chair for 2019. As the Chair of the KP Working Group on Monitoring, FPI has been guiding the process that has led to a resumption of exports of rough diamonds from the Central African Republic, which over time should enable the country to generate substantial revenues. FPI has also been actively involved in KP efforts to support the four Mano River Union countries (Côte d’Ivoire, Guinea, Liberia and Sierra Leone) in further implementing their strategy and action plan for a joint approach to address KP compliance issues with a regional dimension.

Furthermore, FPI managed to ensure a successful conclusion of the trilogue talks with the European Parliament and the Council on its Commission proposal for amending the Anti-Torture Regulation ((EC) 1236/2005). The amended Regulation⁸ was adopted on 23 November and published in the Official Journal of the EU on 13 December 2016. The amendments to the Regulation define appropriate modalities for export controls applied to prevent EU goods from being used for capital punishment in third countries. Importantly, over the past four years this work has already contributed to the postponement of death penalty executions in the United States as well as the effective self-regulation of the pharmaceutical industry.

Common Foreign and Security Policy (CFSP)

In 2016, Common Foreign and Security Policy actions made important contributions to peace and stability in major crisis of the world and, thereby, also contributed to EU security and to its role as a global peace actor. A total amount of EUR 224.7 million was committed.

Capacity building, support and advice provided by the 11 civilian Common Security and Defence Policy (CSDP) missions strengthened the capabilities of authorities in Africa, Afghanistan and the Middle East as well as in Ukraine, Georgia and Kosovo⁹. They assisted national, regional and local authorities to strengthen the application of the rule of law, including where appropriate to combat terrorism as well as contribute to dealing with migration-related issues and the trafficking of human beings. During the year, EUSEC RD Congo finalised its mandate and was closed down while EULEX Kosovo was downsized and its tasks recalibrated in line with the increasing capacities of partner authorities. After 9 years, EUPOL Afghanistan finalised its mandate at the end of 2016 so that the final activities to close the mission can be undertaken in 2017.

A major achievement during the year was the establishment of the Kosovo Specialist Chambers (KSC) in The Hague. The KSC has been established so that criminal proceedings may be implemented in respect of serious international crimes allegedly committed during and after the conflict in Kosovo over which other bodies did not have jurisdiction.

The nine European Union Special Representatives (EUSRs) continued their work in 2016 with their political and diplomatic mandates making important contributions to advancing and maintaining reform agendas as well as promoting and advancing the values of the European Union. In Afghanistan, Africa, the Balkans, the Middle East, Central Asia, the south Caucasus and Georgia and at an international level, the EUSRs promoted peace and stability and addressed important and high-profile issues such as human rights and the strengthening of

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⁸ Regulation (EU) 2016/2134 amending Council Regulation (EC) No 1236/2005 concerning trade in certain goods which could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment, OJEU L 338/1 of 31.12.2016.

⁹ The use of the designation “Kosovo” is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.
Non-Proliferation and disarmament projects contributed to the promotion of multilateral responses to the security threats posed by weapons of mass destruction and the illicit trafficking and accumulation of conventional weapons. Important progress in the ratification of international treaties and conventions was realised while continued support for increased nuclear security was provided.

As regards horizontal activities, Financing Decisions were signed soon after the relevant Council Decisions and planning continued for an extended warehousing facility for rapid provision of key and essential equipment required by missions on start-up and all action was undertaken so that the Mission Support Platform (MSP) would be fully deployed and staffed as of the start of 2017.

Election Observation Missions (EOMs/EIDHR)

FPI deployed a total of 19 electoral missions in 2016, namely 7 fully-fledged Election Observation Missions (EOMs) in Gabon, Ghana, Haiti, Jordan, Peru, Uganda and Zambia; 9 Election Expert Missions (EEMs) in Benin, Burkina Faso, Chad, Comoros, Ghana, Haiti, Morocco, Niger and Somalia; and finally 3 Election Follow-up Mission (EFM) in Madagascar, Kenya and Pakistan. Some of these missions were deployed in a volatile security environment like the EOM to Gabon and Haiti and the EEM to Somalia.

Having previously used the BENEF Framework Contract for its activities, in 2016 FPI finalised the establishment of a specific EOM Framework Contract and concluded the selection of new Service Providers to participate in the Lot 1 (for fully-fledged EOMs) and Lot 2 (for smaller electoral missions) which will cover the period until 2019.

In cooperation with the EEAS, FPI managed an external evaluation of EU's electoral activities analysing their effectiveness and impact. Based on 8 country case studies, a survey and interviews with internal and external stakeholders, the evaluation concluded that overall EU electoral missions are effective and have a positive impact on the partner countries, contributing to the mitigation of conflict and supporting stakeholders in their electoral reform processes.

FPI also contributed to the external evaluation of the EIDHR led by DG DEVCO, in particular to the EOM-related component of the Instrument. Analysing the Instrument at a macro-level, the evaluation provisionally concluded that EOMs continue to be an efficient and effective flagship of EU foreign policy contributing to democratization in partner countries.

Furthermore, 2016 saw the conclusion of the EOMs' methodology and training project entitled Election Observation and Democracy Support (EODS). Further to a tender procedure, a new Service Provider was selected to implement the EODS II phase of the project for 2017-2020.

Partnership Instrument (PI)

The Partnership Instrument (PI) has now gathered full implementation speed. The evaluation on the PI conducted in the context of the Mid-Term Review (MTR) of the External Financing Instruments emphasises the direct relevance of the instrument to enhancing foreign policy capability of the EU, through supporting the Union's bilateral, regional and multilateral agenda with third countries.
Designed to **advance and promote EU and mutual interests abroad**, the PI supports the external dimension of EU policies ranging from competitiveness and migration to research and innovation and in particular, the projection of Europe 2020 Strategy abroad. It addresses major global challenges such as **energy security, climate change** and **environmental protection** as well as specific aspects of the EU’s economic diplomacy, both at bilateral and at multilateral level. The instrument also covers public diplomacy (including cultural diplomacy) and outreach. It directly supports Commission priority number 9 "a stronger global actor"

In 2016, 22 stand-alone actions were adopted for a budget of **EUR 107.6 million** covering the following areas: Climate change action post COP-21 and economic diversification; Sustainable environment and water diplomacy; Responsible Business & Decent Work; Digital Single Market; Civil Aviation; Market access, fair competition and transparency, and Public and Cultural diplomacy. These actions will enable and facilitate numerous strategic policy dialogues and information exchange activities with third countries including Strategic Partners, thereby extending the reach and depth of EU foreign policy.

Programming for the PI is conducted through strategic cluster discussions involving the EEAS, Commission DGs and EU Delegations. This approach is recognised as contributing to greater coherence in EU external action as it promotes synergies between internal and external action.

Evaluation results show that the **PI is effective in delivering results**. A total of 62 identified outcomes have been achieved from 176 finalised and on-going actions, addressing specific EU priorities across all four specific objectives of the Instrument. Considering that implementation of PI actions began in 2015, this is a highly positive achievement. A total of **368 outcomes** are expected to be achieved in the future once all of the 176 content-related actions funded to date reach their conclusion, suggesting that the Instrument will continue to deliver relevant and impactful results.

PI demonstrates a clear EU added value in its design and the support it channels towards a proactive promotion of EU interests and objectives. Without it, the EU would not have the means to pursue its goals with respect to a wide range of partner countries and international fora, failing to live up to its commitments as well as to the partners’ expectations. Since its adoption, the PI has acted as an enabler, opening up areas for dialogue and practical cooperation.

**Information outreach on the Union's external relations**

Most of the information outreach activities are carried out by the EEAS, both in Headquarters and in Delegations, in line with the Service Level Agreement (SLA) concluded between FPI and EEAS in 2013. The related activities concern mainly the annual press and information budgets for some 135 EU Delegations throughout the world to implement actions that suit the bilateral environment and also act to **reinforce the image of the EU as a global player.** FPI remains responsible for the preparation and adoption of the Annual Work Programme (financing decision) and for the overall control of this activity in keeping with the implementation responsibilities delegated to the FPI Head of Service by the Commission.

An important part of the budget resources was allocated to the financing of the television programme in the Farsi language on the Euronews channel while continued support was provided for management and regular updating of the FPI website.
**European Union Visitors Programme (EUVP)**

In 2016, EUVP continued to enhance the quality and visibility of this individual programme – which marked its 40th anniversary in 2015 – through the organization of 113 study visits, better tailored to participants’ interests as well as to EU interlocutors needs. These young leaders invited from third Countries have been regularly received by Members of the European Parliament, high-level officials from Commissioners’ Cabinets and from other EU institutions.
b) Key Performance Indicators (KPIs)

FPI Key Performance Indicators – as per 2016-2020 Strategic Plan

1. CFSP: Planned vs. actual capacity deployment rate (international staff) of the main CSDP missions

2. IcSP: Percentage of IcSP crisis response measures adopted within 3 months of a crisis context (date of presentation to PSC)

3. EOMs: Number of electoral processes and democratic cycles supported, observed, and followed

4. PI: Progress made by key partner countries in the fight against climate change or in promoting the environmental standards of the Union

5. Residual Error Rate

KPI 1: Planned vs. actual capacity deployment rate (international staff) of the main CSDP missions

<table>
<thead>
<tr>
<th>Result/Impact indicator (description)</th>
<th>Target (or milestones)</th>
<th>Latest known results as per Annual Activity Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual capacity deployment rate (intl. staff) of the main CSDP missions</td>
<td>Efficient crisis response: 90%</td>
<td>84.1% in 2012 83.1% in 2013 80.5% in 2014 82.3% in 2015 82.0% in 2016</td>
</tr>
</tbody>
</table>

Reading: in 2016, the deployment rate in the CFSP missions was 82% of the total maximum number of international staff authorized by the respective Council decisions of the European Union against a 2016 target of 85%. The indicator monitors the effectiveness of the ongoing civilian CSDP missions’ deployment; the fulfilment of the objectives of the mission’s mandate depends on the transfer of know-how which is linked to the rapid generation of civilian capabilities. Reaching the full operational capacity of CSDP missions depends on effective mobilisation of human resources and logistics.
KPI 2: IcSP: Percentage of IcSP crisis response measures adopted within 3 months of a crisis context (date of presentation to PSC)

<table>
<thead>
<tr>
<th>Result/Impact indicator (description)</th>
<th>Target (or milestones)</th>
<th>Latest known results as per Annual Activity Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of projects adopted within 3 months of a crisis context</td>
<td>Efficient crisis response: 70% of projects adopted within 3 months of a crisis context (period from date of presentation to PSC)</td>
<td>57% in 2011 78% in 2012 72% in 2013 68% in 2014 64% in 2015 61% in 2016</td>
</tr>
</tbody>
</table>

Reading: in 2016, 61% of projects prepared by FPI were adopted within 3 months against a 2016 target of 65%: the indicator measures the swift adoption of short-term crisis response measures following exceptional and unforeseen situations as set out under Article 3 of the IcSP Regulation. The use of Interim Response Programmes (requiring Comitology) to respond to protracted crises globally, particularly in regions of key EU political interest (Ukraine, Libya and Bosnia and Herzegovina) alongside the need to better schedule measures in the context of contributing to comprehensive EU responses can account for the decrease in the performance indicator. In addition, in 2016, several actions had to be cancelled (Burundi, Republic of Congo) due to conditions no longer allowing them to proceed. Others needed to be delayed due to uncertainties in the implementing environment and political constraints (Guatemala/Belize, Colombia, Kenya, Libya). Finally, the number of actions being launched is significantly higher than measured during the baseline year (2013) while the total amount of commitments in 2016 reached a record high.

KPI 3: EOMs: Number of electoral processes and democratic cycles supported, observed and followed (by means of Election Observation Missions, Election Assessment Teams, Election Experts Missions and Election Follow-up Missions proposing recommendations to the host country)

<table>
<thead>
<tr>
<th>Result/Impact indicator (description)</th>
<th>Target (or milestones)</th>
<th>Latest known results as per Annual Activity Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of electoral missions</td>
<td>2020: 25</td>
<td>2016: 19</td>
</tr>
</tbody>
</table>

Reading: in 2016, 61% of projects prepared by FPI were adopted within 3 months against a 2016 target of 65%: the indicator measures the swift adoption of short-term crisis response measures following exceptional and unforeseen situations as set out under Article 3 of the IcSP Regulation. The use of Interim Response Programmes (requiring Comitology) to respond to protracted crises globally, particularly in regions of key EU political interest (Ukraine, Libya and Bosnia and Herzegovina) alongside the need to better schedule measures in the context of contributing to comprehensive EU responses can account for the decrease in the performance indicator. In addition, in 2016, several actions had to be cancelled (Burundi, Republic of Congo) due to conditions no longer allowing them to proceed. Others needed to be delayed due to uncertainties in the implementing environment and political constraints (Guatemala/Belize, Colombia, Kenya, Libya). Finally, the number of actions being launched is significantly higher than measured during the baseline year (2013) while the total amount of commitments in 2016 reached a record high.
Reading: in 2016, FPI has deployed 19 electoral missions abroad (which required 5 Exploratory Missions during 2015 to prepare the deployments).

**KPI 4: PI: Progress made by key partner countries in the fight against climate change or in promoting the environmental standards of the Union**

Given the high complexity of the indicator and the impossibility to measure progress in global terms a break-down has been done for the overall indicator into measurable, concrete sub-indicators:

Sub-indicator 4.1: Operating Emissions Trading Schemes for greenhouse gas mitigation (ETS) outside the EU/EEA (at city, regional, country or multi-country level)

Reading: in 2016, 16 Operating Emissions Trading Schemes were currently in force worldwide.

FPI expects that, through support under the Partnership Instrument on facilitating new partnerships, policy dialogue and signature of agreements on global challenges, Operating Emissions Trading Schemes for greenhouse gas mitigation (ETS) outside the EU/EEA will increase to reach 26 trading schemes by 2020.
Sub-indicator 4.2: Share of renewables in total energy production in the 9 strategic partners

Data for sub-indicators 4.2. is not yet available (the latest data available are those of 2014).

FPI expects, through support under the Partnership Instrument, to contribute to an increase in the share of renewable energy in the total energy production of the 9 EU strategic partners. The objective is to increase the use of renewable energy by some 30% by 2020.

Sub-indicator 4.3: CO₂ emissions from fuel combustion in the 9 strategic partners (millions of tons of CO₂)

Data for sub-indicators 4.3. is not yet available (the latest data available are those of 2014).

Reading: in 2014, in the 9 EU strategic partners, the CO₂ emission from fuel combustion was 20980 millions of tons.

The final target (2020) corresponds to a decrease of 6% of the 2012 total CO₂ emissions in the 9 strategic partners. FPI expects that, through support under the Partnership Instrument on facilitating new partnerships, policy dialogue and signature of agreements on global challenges, the CO₂ emission will decrease in the 9 strategic partners.

Sub-indicator 4.4: Number of local and regional authorities signing the Covenant of Mayors
in 2016, 7193 local and regional authorities had signed the Covenant of Mayors exceeding the interim milestone set in the Strategic Plan.

FPI expects that, through support under the Partnership Instrument, 4000 new local and regional authorities will have signed the Covenant of Mayors by 2020.

**KPI 5: Residual Error Rate**

<table>
<thead>
<tr>
<th>Result/Impact indicator (description)</th>
<th>Trend</th>
<th>Target (or milestones)</th>
<th>Latest known results as per Annual Activity Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residual error rate (in the population)</td>
<td></td>
<td>Below 2%</td>
<td>2014-2016: 1.9%</td>
</tr>
</tbody>
</table>

*Reading: in the period 2014-2016 (three years), the residual error rate of FPI was 1.9%.*

The cumulative residual error rate for 2014-2016 was 1.9%. Nevertheless, for 2016, the RER for two activities is above 2%. Please see section 2.1.5 for the related reservation.
c) Key conclusions on financial management and internal control (executive summary of section 2.1)

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

The Commission has adopted a set of internal control principles, based on international good practice, aimed to ensure the achievement of policy and operational objectives. The financial regulation requires that the organisational structure and the internal control systems used for the implementation of the budget are set up in accordance with these standards. FPI has assessed the internal control systems during the reporting year and has concluded that the internal control principles are implemented and function as intended. Please refer to AAR section 2.1.3 for further details.

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

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

d) Information to the Commissioner

In the context of the regular meetings during the year between the Service and the Commissioner on management matters, also the main elements of this report and assurance declaration, including the reservation envisaged, have been brought to the attention of HRVP Mogherini, responsible for Foreign Affairs and Security Policy.
1. KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF GENERAL AND SPECIFIC OBJECTIVES OF THE SERVICE

Instrument contributing to Stability and Peace (19.02)

Specific objective 1.1: In a situation of crisis or emerging crisis, to swiftly contribute to stability by providing an effective response designed to help preserve, establish or re-establish the conditions essential to the proper implementation of the Union’s external policies and actions in accordance with Article 21 TEU.

Under this objective, a total budget commitment of EUR 244.5 million was committed in 2016. The two pie charts below illustrate the geographic and thematic coverage.

![IcSP: allocation by region (EUR mln)](image1)

![IcSP: allocation by Thematic area (EUR mln)](image2)
Examples of timely EU responses to high-priority crises on the EU political agenda are given below. Information on the projects funded by the Instrument under Article 3 and 4 are available for the general public through the following online tool: https://www.insightonconflict.org/icsp/. This map of IcSP projects will be transferred to the FPI website in 2017. The map currently shows 262 ongoing and recent IcSP projects in 73 countries.

**Syrian crisis:**

In 2016, IcSP mobilised EUR 38.5 million to respond to the Syrian crisis including the design of a comprehensive peace-support initiative. Since 2014, the IcSP has mobilised EUR 119.5 million to respond to the crisis, both in Syria and in neighbouring countries. The Comprehensive Syria Peace Support Initiative provides financial, technical and operational support to peacebuilding processes in cooperation with the German government with view to responding promptly to the rapidly changing political landscape. It supports Track II mediation initiatives (unofficial interactions undertaken by non-governmental actors with access to decision makers); offers logistical support to opposition participation in the Geneva Peace Talks; provides inputs for the opposition to develop its position on a post-conflict Syria and strengthens the inclusion of civil society and women thereby facilitating local peacebuilding efforts.

Two other new programmes adopted in 2016 support specific aspects of the EU response. The first programme focuses on continuing to facilitate dialogue initiatives to build confidence among Syrian actors (including, where appropriate, between the opposition and the Government), supporting and complementing the work of the United Nations Special Envoy for Syria and contributing to preparations for a future process of transitional justice through the collection and analysis of evidence of potential war crimes. A second programme addresses the issue of missing persons. In addition to these 3 above programmes directly covering Syria, in 2016 the IcSP also supported the further capacity building of the Jordanian authorities on border and migration management in order to facilitate and expedite the provision of humanitarian assistance to meet urgent unmet needs resulting from ongoing crisis in Syria. A regional programme adopted in 2016 "Protecting cultural heritage and diversity in conflicts", also covers Syria and aims to reduce the vulnerability of populations whose culture and heritage is targeted or affected in complex emergency situations, notably in Iraq, Libya, Syria and Yemen.

**Migration and refugee crisis:**

The IcSP contributed to the immediate European response to the crisis situation in the Mediterranean as well as to address root causes of migration linked to instability and conflicts. In Turkey, the IcSP is enhancing the capacity of the Turkish Coast Guards to carry out search and rescue operations thereby contributing to saving lives and enhancing the protection of migrants and refugees at sea while at the same time tackling irregular migration and trafficking through regular patrolling. This EUR 20 million action responds directly to the October 2015 Council Conclusions on Migration, the EU-Turkey Joint Action Plan and the European Agenda on Migration which lists "saving lives at sea" as the first priority. It is also complementary to long-term support to the Turkish Coast Guards provided under IPA and to ECHO humanitarian assistance thereby ensuring that once refugees and migrants are brought back to shore,
immediate provisions are available to them. In 2016, the IcSP was also mobilised along the **Central Mediterranean migration route**, with the implementation of 2 actions focusing on the setting up of a multi-purpose migration centre in Agadez (Niger) and on voluntary return of migrants stranded in Libya, respectively. IcSP remains engaged in responding to most conflicts and local crises generating the main migration flows to Europe. In this respect, new measures were adopted in 2016, underpinning stabilisation efforts in Libya, Iraq and Afghanistan as well providing support for the State formation process in Somalia.

Furthermore, during 2016 the IcSP was mobilised to respond to the wider **global refugee crisis** such as addressing the consequences of forced displacement caused by the Boko Haram crisis in the Diffa region of **Niger** as well as in **Chad** alongside support to community-oriented security and prevention of radicalisation at the Kenyan Dadaab and Kahuma complexes for Somali Refugees. Other new programmes meeting refugees' needs include support for internally displaced people (IDPs) from the Federally Administered Tribal Areas (FATA) in **Pakistan**, addressing irregular migration in Rakhine State in **Myanmar** and the mixed migration crisis on the Island of Hispaniola (**Haiti** and **Dominican Republic**). With these actions, the IcSP contributed to developing a consistent EU approach to migration, while responding to priorities set in the European Agenda on Migration\(^{10}\) as well as in the Communication on Forced Displacement\(^{11}\). Finally, the IcSP also addressed other sources of instability that could lead to displacement, notably with new actions supporting early recovery and social and economic stability linked to the drought in **Ethiopia** and support to livelihoods, local service delivery and peace-building in **South Sudan**.

**Counter-terrorism/Countering violent extremism:**
The terrorist threat and the risk of radicalisation remained critical in many regions in 2016, explaining the importance given by IcSP to action in this policy area. In **West Africa**, a specific programme was developed to strengthen the criminal justice response to terrorism in Nigeria, which is dangerously exposed to the threat of Boko Haram while in the wake of the terrorist attacks in Burkina Faso and Ivory Coast in early 2016, 2 programmes were adopted to address these terrorist threats and prevent radicalisation. In the **Horn of Africa**, a new programme will support a network of experts to provide tailor-made advisory services to interested governments to expand and improve their efforts to prevent and counter violent extremism. Another new action provides for community-oriented security and prevention while also acting to prevent radicalisation with the Kenyan Dadaab and Kahuma refugee complexes for Somali refugees in Kenya. In **Turkey** - strongly affected by terrorist attacks in 2016 - the IcSP was mobilised to enhance the capacity and inter-agency cooperation between relevant government institutions and agencies in response to the threat of foreign terrorist fighters.

**Ukraine:**
The conflict in Ukraine continued throughout 2016 thereby requiring an IcSP response to support broader peace efforts as well as address the particular needs of displaced and conflict-affected populations. In this respect, further support was provided via a EUR 5 million interim response programme to the OSCE Special Monitoring Mission alongside continued support to conflict-affected populations. A new exceptional assistance measure of EUR 6 million was also adopted to support the reform of the National

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\(^{10}\) Communication from the Commission of 13 May 2015 on "A European Agenda on Migration" (COM(2015) 240 final)  
\(^{11}\) Communication from the Commission of 26 April 2016 on "Lives in Dignity: from Aid-dependence to Self-reliance Forced Displacement and Development" (COM(2016) 234 final)
Police of Ukraine in the areas of community policing and public order complementing the EUAM mission under CSDP (see under Common Foreign and Security Policy below).

**Colombia:**

After years of complex negotiations, the peace process in Colombia has made unprecedented progress and there is now a genuine prospect of this long conflict coming to an end. Over the past two years, the IcSP has been instrumental in supporting confidence building between the Fuerzas Armadas Revolucionarias de Colombia Ejército del Pueblo (FARC-EP) and the Government of Colombia and in facilitating the peace process, thereby allowing the EU to quickly deliver on its political commitments through the offices of the EU Special Envoy. In 2016, a first Financing Decision of EUR 13 million was adopted at the beginning of the year to support this process and contribute to creating the conditions for both post-conflict and territorial development and peace including detection and removal of landmines and unexploded ordinances in the framework of the Colombian Government’s Rapid Response Strategy and the development of community radios advocating peaceful co-existence. Negotiations between the Government of Colombia and FARC-EP seemed to have concluded with the signature of the General Agreement for the Termination of the Conflict and Construction of a Stable and Lasting Peace on 26 September 2016. However, following the rejection of the Agreement in a plebiscite in October, a second Financing Decision of EUR 7.6 million was urgently required to safeguard the gains achieved through the peace negotiations and enable a potential Peace Agreement to succeed. This second programme aims to support and create the necessary conditions for enhanced respect of human rights and protection of civilians in key areas of FARC-EP influence as well as facilitate the reception, assistance, social inclusion and reintegration of minors released by the FARC-EP or by other non-state armed groups in the broader context of demobilization, disarmament and re-integration (DDR). It also contributes to improving the effectiveness of the fight against criminal organisations and their support structures; reducing the level of impunity concerning crimes committed against human rights defenders and members of social and political movements and reducing the impact of criminal conduct that threatens the nascent peace process. A favourable context is thereby created in which planning for disarmament of FARC and other former rebels can proceed alongside greater respect and support for the rule of law.

**Support to Peace Processes - mediation, dialogue and confidence-building:**

In addition to the Colombian Peace Process, IcSP also engaged in supporting other peace processes in 2016, with targeted actions in Mozambique supporting mediation between the Government and the Renamo opposition while activity in Sri Lanka and Kashmir respectively focused on reinvigorating a priority plan for peace-building and enhancing local capacity in confidence-building measures and supporting conflict transformation processes. In the Philippines, support was given for implementation of the government’s New Peace Roadmap for Mindanao. In the Middle East, IcSP support for on Palestine continued, with a financing decision of EUR 2 million to support the resumption of dialogue and to increase youth resilience and empowerment, thereby reducing the potential for violence, as well as another new programme of EUR 14.5 million to mitigate tensions within Palestinian camps in Lebanon. The IcSP also renewed its support to the Special Tribunal for Lebanon, with a EUR 7.5 million contribution.
Specific objective 1.2: To contribute to the prevention of conflicts and to ensure capacity and preparedness to address pre- and post-conflict situations and build peace.

In addition to the crisis response actions, the EU committed EUR 27 million in 2016 for activities supporting conflict prevention, peace building and crisis preparedness within the framework of the so-called Peace-building Partnership.

In 2016, a further EUR 13.1 million was committed to continue enhancing civil society capacity to contribute to conflict prevention and peace building in conflict-affected third countries as well to respond to crises. Since 2010, such investment has increased grassroots civil society capacity to engage in peace-building and conflict prevention actions across more than 30 conflict-affected or high risk countries, focusing on themes such as mediation and dialogue; fragility and conflict; women, peace and security and young people as agents for peace allowing the EU to contribute effectively to building durable peace. The 2016 action will support in-country civil society actors to further strengthen their institutional, operational and networking capacity for conflict prevention and peace-building in the specific areas of Youth and Women affected by conflict; Youth as agents for peace and Women Peace and Security in the following countries and regions: Burundi, Tunisia, Venezuela, Nicaragua/Central America, Kenya/Horn of Africa.

A 2014 evaluation of the Instrument for Stability Crisis Preparedness Component positively assessed EU efforts to support capacity building of civil society organisations. Projects were particularly relevant to country contexts and in meeting local priorities and needs. Investment in civil society proved to be impactful, making a difference to conflict and peace dynamics on the ground. In Timor-Leste, Zimbabwe, Chad and Bolivia civil society activity led to a noted decrease in violence and to increased dialogue and levels of trust between authorities and communities.

Civil Society Dialogue Network (CSDN): Building upon the positive results and lessons learned from 6 years of co-operation with the European Peace-Building Liaison Office, an additional EUR 2.8 million was allocated to further strengthen an EU-level dialogue platform on conflict prevention and peace-building between EU decision-makers and civil society actors. In line with the EU's comprehensive approach to conflict and crises and the commitment of the EU Global Strategy to deepen partnership with civil society, CSDN serves as a critical tool to pursue dialogue on specific conflict contexts/conflict-risk regions (CAR, Horn of Africa), thematic issues such as responsibility to protect (R2P) and on the development of policies relating to conflict prevention and peace-building. This partnership is particularly important in fostering joint analysis and in designing better response strategies to address threats to peace and security.

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12 The identification of countries and regions is informed by the results of the EU Conflict Early Warning System as well as regular dialogue with EU Delegations and the relevant EC and EEAS services.
Building capacity in Mediation, Dialogue and Reconciliation:

ERMES allows for mobilisation of short-term mediation and dialogue expertise: in 2016, 25 assignments related to 12 conflicts were deployed.

As a global actor committed to the promotion of peace, democracy, human rights and sustainable development, the European Union is often well placed to mediate, facilitate or support mediation and dialogue processes. In line with the 2009 Council's "Concept on Strengthening EU Mediation and Dialogue Capacities" and the 2011 Council Conclusions on Conflict Prevention - which provide the policy basis for EU engagement in mediation and dialogue – the € 2.8 million programme European Resources for Mediation Support (ERMES) enables the EU to support third parties through quick response deployments as well as longer term capacity-building efforts in mediation processes. Specifically, ERMES provides short-term technical assistance to peace processes and actors, training and coaching support to peace process participants, short research papers to guide mediation actors as well as the organisation of meetings linked to third-party engagement in mediation, at international, national and local level. In 2016, ERMES undertook 25 assignments related to 12 conflicts contributing for example to building the capacity of the members of the De-escalation and Ceasefire Committee (DCC) in Yemen, accompanying the UN-led peace talks between the Government of Yemen and the Houthi and its allies, in view of the negotiation and eventual implementation, of a nationwide ceasefire. In Nigeria, the EU supported work of "insider mediators" involved in the dialogue process around the persistent local conflicts in the Niger Delta, where since March 2016, a number of oil and gas facilities have been attacked. ERMES was also mobilised in Colombia, where the EU provided political and technical support to the peace process thereby contributing to a favourable context leading to the first agreement between the Government of Colombia and the Revolutionary Armed Forces of Colombia (FARC). In Mozambique, ERMES supported the dialogue between the Government and the main opposition group, "Renamo" whose relations has been characterised by growing divergence around the implementation of the 1992 peace agreement.

Promoting responsible mineral supply chains in conflict-affected and high-risk areas:

To support implementation of the 2014 Joint Communication on an "Integrated EU approach to the responsible sourcing of conflict minerals" EUR 3 million was allocated to a second phase of successful cooperation with OECD (first phase under IFS AAP 2013) to promote greater transparency of the mineral supply chain by increasing the dissemination, adoption and use of the "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas". The latter is the global standard on due diligence in the sourcing and trading of "conflict minerals" from conflict-affected countries and serves as a first example of a collaborative government-backed, multi-stakeholder initiative for a responsible management of minerals from conflict-affected or high-risk countries. The action aims to provide technical assistance, capacity building, market-oriented research and analysis to underpin peace-building and stabilization efforts within mineral-rich fragile regions or countries, with a particular focus on the African Great Lakes region.

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Provision of expertise to support security sector governance and reform: Ensuring the sustainable reform of the security sector (SSR) in conflict, post-conflict and fragile countries and regions is critical for the long-term success of EU efforts to promote peace and security globally. The objective of this new EUR 2 million action is to support and sustain inclusive national SSR processes including dialogue on security sector governance and reform in conflict, post-conflict and fragile countries. Specifically, it will provide technical expertise to support and underpin national policy planning, implementation and dialogue on SSR ensuring that gender concerns are fully met within SSR dialogue and planning processes in order to meet the long term security needs and rights of women, men, girls and boys. Activities foreseen include *inter alia* supporting the design and implementation of SSR programmes; underpinning national policy planning processes and contributing to the preparation of joint analyses and national strategies including open public dialogue so that the EU can contribute to conflict prevention and state-building while also strengthening institutions in partner countries to better meet the security needs of their own populations.

New Training Initiative for Civilian Crisis Management:

Building upon the positive results of 5 years of cooperation with a consortium of 12 training agencies from 11 Member States and Switzerland, a third phase of the "European New Training Initiative" (ENTRi) allocated a further EUR 3 million to pre-deployment training for participation in international civilian crisis management and stabilisation missions. ENTRi aims to enhance the capacity of specialised personnel to effectively participate in civilian stabilisation missions of the EU (CSDP missions), the United Nations, OSCE (Organisation for Security and Cooperation in Europe) and the African Union by providing a wide range of customised and off-the-shelf training packages, facilitating the training of trainers and by promoting the harmonisation of training standards and content in Europe and beyond. One particular achievement under ENTRi II was the production of an e-learning course on "Intercultural Competence in Civilian Crisis Management" providing guidance on how to behave in a culturally-sensitive manner as part of civilian stabilization missions. The In-control' Handbook and mobile application also developed under ENTRi II in English and French, further underpinned the quality and scope of ENTRi training. Since 2015, ENTRi has formalised cooperation with the European Security and Defence College (ESDC) allowing it to align its training activities with those of the former thereby increasing synergies with CSDP missions and maximising training scope and quality. Bi-lateral cooperation was also realised the UN Department of Peace-Keeping Operations (DPKO) on delivery of in-country training while close cooperation links have been established with the European Policy College (CEPOL) and the European Union Police Services Training consortium (EUPST II) funded under the 2015 AAR.

Strengthening capacities for Post Disaster Needs Assessment and Recovery Preparedness: To further build the resilience of partner countries in the wake of natural disasters/emergencies, an additional EUR 1.75 million was allocated to strengthen the capacities of national governments and regional organisations to assess, plan, implement and monitor their own recovery processes. Building on a successful cooperation with UNDP (first phase under IfS AAP 2011), this second phase aims to consolidate and increase post-disaster assessments and recovery planning, particularly for national governments in high-risk countries as well as for regional inter-governmental organizations. Specifically, it aims to strengthen capacities to conduct post-disaster needs assessments (PDNA) and develop

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recovery frameworks in high-risk countries; support national governments to strengthen institutions and systems for post-disaster recovery; enhance capacities of regional intergovernmental organizations to support countries to conduct PDNAs and develop recovery frameworks and advance a global practice of recovery through the development of guidelines, tools, training materials, lessons learnt and best practices to plan, implement and monitor post-disaster recovery.

For more information, see Annex 12

**Foreign Policy Regulatory Instruments**

As regards **restrictive measures** or **sanctions**, FPI prepared and negotiated **joint proposals** of the Commission and the High Representative for Council Regulations as well as Commission Implementing Regulations. In this context, FPI has been representing the Commission in meetings of relevant Council working parties, in particular the Foreign Relations Counsellors Working Party (RELEX) (typically meeting twice a week), as well as dedicated RELEX Sanctions meetings with officials and experts from capitals throughout each semester. In 2016, FPI prepared a total of 20 proposals for Council Regulations on sanctions, including a new Regulation as regards EU autonomous measures against **ISIL (Da’esh)** and **Al Qaida**. Moreover, FPI prepared 30 Commission Implementing Regulations concerning the UN-based ISIL and Al Qaida sanctions regime.

Furthermore, FPI completed the development of a new electronic **platform for information-sharing** on sanctions implementation issues among Member States’ competent authorities and with the Commission, and worked to further improve its **financial sanctions database** developed to assist financial institutions in identifying persons and entities that are subject to EU sanctions (asset freezing measures).

As regards the **Kimberley Process (KP)** on conflict diamonds, FPI successfully ensured the unanimous support from all 81 KP member countries for the EU’s bid to become **KP Vice-Chair in 2017** and **KP Chair in 2018** - partly by working out a partnership arrangement with India, which has been selected as KP Vice-Chair for 2018 and KP Chair for 2019. This process involved close collaboration with the EEAS and EU Member States in approaching KP member countries through high-level "démarches".

FPI on behalf of the EU continued to chair the **KP Working Group on Monitoring**, which is one of the most important KP working bodies as it oversees the **KP peer review system** and deals with **country compliance** issues. As Chair of this working group, FPI led the KP’s efforts to further strengthen implementation, among other things by preparing and ensuring endorsement of a new Guidance Note on the organisation and conduct of review visits. Moreover, in this capacity FPI guided the process that has led to a resumption of exports of rough diamonds from the **Central African Republic**, which over time should enable the country to generate substantial revenues. FPI was also actively involved in KP efforts to support the four **Mano River Union** countries (Côte d’Ivoire, Guinea, Liberia and Sierra Leone) in further implementing their strategy and action.
plan for a joint approach to address KP compliance issues with a regional dimension. Specific support for this was provided under a customized programme under IcSP (AAP 2015).

In relation to the Anti-Torture Regulation (Council Regulation (EC) 1236/2005), FPI ensured a successful conclusion of the trilogue talks with the European Parliament Rapporteur and the Council Presidency on the Commission proposal for amending the Regulation. The Regulation was adopted on 23 November and published in the Official Journal of the EU on 13 December 2016. The amendments define appropriate modalities for export controls applied to prevent EU goods from being used for capital punishment in third countries. Importantly, over the past four years this work has already contributed to the postponement of death penalty executions in the United States (USA) as well as the effective self-regulation of the pharmaceutical industry.

Common Foreign and Security Policy (19.03)

FPI’s management of each CFSP action is based on specific decisions adopted by the Council under the CFSP provisions of the Treaty on European Union (TEU). There is no over-arching instrument (basic act) adopted for the full period of the multiannual financial framework. Actions are either CSDP civilian crisis management missions, European Union Special Representatives (EUSRs) or actions in the field of non-proliferation of Weapons of Mass Destruction (WMD) and small arms and light weapons (SALW).

Given the crisis nature of situations in which CFSP actions are typically undertaken, a key requirement underpinning their success is the rapidity with which they are launched and with which the necessary financial, managerial, logistical and human resources are provided. On average FPI’s actions during 2016 allowed for the signature of Financing Decisions for civilian CSDP mission in less than 12 days from the adoption of the relevant Council Decision. This time period was 10 days for EUSRs and for actions in the area of non-proliferation and disarmament. A framework Financing Decision was adopted within 7 days of the start of the year so that, if needed during the year, funding could be rapidly disbursed for measures to prepare for the deployment of new civilian CSDP missions.

FPI also provides direct support and advice to civilian CSDP missions and EUSRs so as to assist their compliance with the financial and contractual obligations and also develops specific tools for the use of the civilian CSDP missions and EUSRs, such as guidance, documentation, procedures and framework

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17 Regulation (EU) 2016/2134 amending Council Regulation (EC) No 1236/2005 concerning trade in certain goods which could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment, OJEU L 338/1 of 31.12.2016
contracts. So as to increase the support that could be provided, during 2016, a concept was completed for a revised and extended warehousing facility for rapid provision of key and essential equipment to missions on start-up. In addition, all actions were undertaken so that from the start-of 2017 the Mission Support Platform (MSP) would be fully deployed and staffed, providing centralised services and assistance to the missions.

FPI committed a total of EUR 224.7 million for CSDP missions, EU Special Representatives, and in the area of Non-Proliferation and Disarmament (NPD).

**Specific Objective 1.3: Support to preservation of stability through substantial CSDP missions and EUSR mandates**

**Civilian CSDP missions**

Assisted by the financial management provided by FPI and the policies, procedures, guidelines, mechanisms, framework contracts and support structures put in place, the main civilian CSDP missions were in 2016 able to maintain a high rate of deployment of international (seconded plus contracted) staff. The actual deployment rate was, however, slightly below the 85% target for 2016. In part this was influenced by the fact that EUPOL Afghanistan was winding down its activities. In addition, some missions regularly encountered difficulties in recruiting sufficiently qualified and experienced new staff and/or had low numbers of applications from potential MS seconded experts. This was particularly the case for missions in located in areas where the crisis levels and operating conditions are particularly difficult (such as in the Sahel and Somalia).

Notwithstanding such difficulties, with the support of FPI and EEAS, the 11 civilian CSDP missions and the 9 European Union Special Representatives (EUSRs) operating during 2016 realised impressive achievements, which contribute both to security and peace globally and to security in the EU.

In 2016 the strategic advice and training provided by EUCAP Sahel Mali to the internal security forces (ISF) continued to improve the command and control of the ISF. Legislative reviews, revised recruitment documents and new penal code procedures promoted evidence-based reforms of the ISF for strengthened oversight and control. The readiness of the ISF for redeployment to the north of Mali was strengthened by improving the operational footprint in central regions. The mission achieved these results by sustaining structured yet responsive engagement at all levels of the ISF, developing confidence, providing continuous support, establishing collaboration with other initiatives and civil society, taking into account the regional aspects of its objectives and responding to new challenges as they arose. Based on the effective mechanisms put in place

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18 All missions with the exception of EUBAM Libya, which, given the security situation in Libya, is in standby mode and with the exception of the Kosovo Specialist Chambers and Specialist Prosecutors’ Office, which are part of the judicial system of Kosovo (note that the use of the designation “Kosovo” is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence).
by the mission, EUCAP Sahel Mali was able to both increase local ownership of the reform process and respond to urgent requests for specialist support.

In Niger, to facilitate the interoperability of the ISF, the establishment of regional operational centres has been supported by EUCAP Sahel Niger with renovation works, the provision of equipment, training and the conduct of exercises simulating crises. Tactical mobile command capacities have also been enhanced. As a result, the collection, analysis and diffusion of information within and between regions have improved, as has the crisis planning and management capacity of the ISF. The criminal investigation capacities of ISF have also been developed through the provision of training on diverse topics ranging from technical aspects of policing such as intelligence gathering and intervention techniques to socio-legal aspects such as human rights and gender as well as through the introduction of improved techniques for the management and archiving of information. In addition, EUCAP Sahel Niger provided the ISF with specialised training and support on the use of scientific and forensic investigation techniques, the success of which is attested to by the increased demand for and use of these services to aid investigations. Together these developments contribute to improvements in all aspects of the fight against crime and particularly against terrorism. To promote the sustainability of its actions, EUCAP Sahel Niger worked with the Nigerien ISF to build their own training capacities, trained and mentored future trainers while assisting the development of human resource management capacities.

EUAM Ukraine contributed to the reform of security services through advising on the drafting of a law on National Security, a law on financial police and a law on the State Penitentiary Service. It also facilitated the preparation of action plans for the reform of civilian security services and has paid particular attention to the need for the roles of the Ministry of Internal Affairs and those of law enforcement agencies to be clearly defined. To increase transparency and accountability and control, the mission also supported the preparation of the draft concept on the reform of the Security Service of Ukraine (SSU), helped in the preparation of the SSU’s first annual report and also launched the first training for the SSU on human rights. EUAM Ukraine also supported the fight against corruption by providing training, equipment and support to Ukrainian anti-corruption bodies.

The difficult political and security situation in Afghanistan has hindered further progress in 2016 towards the establishment of sustainable and effective policing arrangements. Nonetheless, despite on-going downsizing in view of full closure in 2017, EUPOL Afghanistan successfully supported the drafting of standard operating procedures on Police-Prosecutor cooperation and helped the establishment of a General Directorate for Monitoring and Evaluation. The continued mainstreaming of gender issues as part of police recruitment proved to be a particular highlight of 2016 activity alongside a major female policing conference organised by
the mission. Moreover, the concept of community policing was implemented in more provinces and, ensuring the mainstreaming of the concept, the Directorate for Community policing was placed under the overall Commander of Police. An enforced code of conduct for the Afghan National Police is also in place for which EUPOL financed a major awareness campaign. The General Training Command (GTC) is fully in charge of training and the sustainability of actions is demonstrated by GTC’s organisation of its own educational conference and by it taking the lead for the first time on reviewing training policy.

In 2016, EUBAM Rafah continued to operate in its scaled down ‘stand-by’ mode, maintaining readiness to rapidly and fully redeploy, in order to make an important contribution to the Middle-East Peace Process. Notwithstanding its very limited staffing, in addition to maintaining managerial and administrative capacity to redeploy, EUBAM Rafah continued to provide support and assistance to continue the capacity development of the Palestinian General Authority for Borders and Crossings. Work continued on preparing the implementation of strategies and action plans as well as the finalisation of operational manuals procedures for border controls and on the exchange of information.

**EUCAP Somalia** conducted an organisational review of the Somali Police Force Maritime Police Unit, which laid the foundation for capacity building exercises. The renovation of a multi-functional classroom at the police academy is also being implemented. In addition, training on search and rescue was provided, increasing capacity for the conduct of these operations while live exercises were conducted in the co-ordination of vessel – approach manoeuvres, aiding operations such as vessel searches. To improve national legislation and the rule of law, agreement was reached on a National Security Policy, which includes maritime security co-ordination mechanisms and regular meetings take place to lead implementation of the Somali Maritime Resource and Security Strategy, leading to confidence building between stakeholders. In addition, progress on the improvement of Somali maritime security legal frameworks has been initiated and workshops held to improve civilian maritime law enforcement and prosecutors, strengthening the criminal justice chain.

A major development in 2016 has been the establishment of the **Kosovo Specialist Chambers** (KSC) in the Netherlands, the operational costs of which are mainly financed through the CFSP. The KSC has been established so that criminal proceedings may be implemented in respect of serious international crimes allegedly committed during and after the conflict in Kosovo over which other bodies (including the International Criminal Tribunal for the former Yugoslavia) did not have jurisdiction. The KSC has a seat in a host country (as well as in Kosovo) so that the criminal proceedings may take place in a secure, independent, impartial, fair and efficient manner. The planning for and initial tasks related to the establishment of the KSC in the Netherlands were undertaken through EULEX Kosovo, which has previously investigated the alleged crimes.

**EU Special Representatives**

By deploying the EU’s soft powers of dialogue, communication, co-ordination and facilitation the activities of EUSRs also actively contributed to the Objective 9 “The EU being a stronger global actor”.  

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*EUCAP Somalia – examples of key achievements:*
- Law on Somaliland Coast Guard drafted;
- Joint maritime security seminar held to co-operation and collective efforts;
- Interim operations room for the Somaliland Coast Guard was opened, contributing to improved maritime situational awareness and inter-agency responses;
- Key training events held on topics such as search and rescue and the use of radar;
- Internal legal library created to facilitate on-going tasks;
- Initial assessment of law on organisation of the police completed.
For example, the **EUSR for Human Rights** has used these methods to enhance the EU’s effectiveness, presence and visibility in protecting and promoting human rights in the world. The EU’s visibility and engagement at UN and other multilateral fora have been increased and co-operation with, and empowerment of, civil society addressed. The EUSR placed particular emphasis upon the fight against torture and the death penalty, supported the launch of the #EU4HumanRights Campaign and promoted the mainstreaming of human rights in EU foreign policy and external action.

The link between diplomacy and resultant achievements is also demonstrated by the efforts of the **EUSR for the Horn of Africa**, where both regional and broader global dynamics have not been, of themselves, favourable to stability in the region. Nonetheless, through close liaison with international partners, the government and the opposition, the peace process in Sudan has been moved forward, which has contributed to a new political environment in which the EU is increasingly looked towards as a key interlocutor. The EUSR’s lead role, in partnership with the UN, US and regional actors, in the political process in Somalia has, after 4 years of work, culminated in the transformation of the Somali political life with a nascent but functional federal framework and recently-completed parliamentary and presidential elections. The EUSR has also worked with partners to prepare the ground for addressing other pressing problems in Somalia, starting with security. Elsewhere, the EUSR has established effective dialogue with other partners in the region to address issues related to peace, stability and cross-cutting issues including migration.

In the **Sahel**, the **EUSR** succeeded in reinforcing a regional approach to shared problems and difficulties through reinforcing the political dialogue among the 5 Sahel countries. This resulted in the adoption of revised joint roadmap EU/G5 for presentation to Political and Security Committee. He also supported efforts to resolve the migration crisis from West Africa towards Europe and for preventing radicalisation and violent extremism. In addition he has developed activities to encourage the engagement of youth in Sahel issues and advocated increased border management collaboration.

The **EUSR for Bosnia and Herzegovina (BiH)** played a central role, in 2016, in the putting in place the three ‘enablers’ required for progress towards BiH’s accession goals. Progress in the Reform Agenda was achieved thanks to the EUSR’s engagement with those responsible for the delivery of the reform agenda and with political parties, governments and parliaments as well as through running a national awareness campaign. To support justice sector reforms and the rule of law, amongst a wide range of activities, the EUSR supported the drafting of a new law on BiH courts, the development of the judiciary’s professionalism, accountability, efficiency and integrity, the establishment of a free legal aid system, the harmonisation of the legal framework on the trafficking of human beings, the completion of a strategic and institutional framework for the fight against corruption.

The **EUSR for the Middle East Peace Process** has, despite the difficulties, contributed to the stabilisation of the region and, through diplomacy, highlighted threats to the two-State solution and recommendations to address these threats. An agreement to reactivate the Joint Water Committee was reached and an agreement on electricity was presented to the ad-hoc liaison group.

The **EUSR for Central Asia** has, in 2016, promoted closer relations between the EU and the
five countries of central Asia, resulting in the EU being regarded as an important partner and in a positive momentum in platforms for regional dialogues and co-operation, including with Afghanistan. He has also created the conditions for addressing a range of aspects dealing with the strengthening of democracy, the rule of law human rights and fundamental freedoms. The need for a comprehensive approach to security and development has been addressed and efforts made on countering violent extremism, including through the organisation of a regional conference on this. In addition, due to the EUSR’s efforts, there is a strengthened co-operation between the EU and international organisations on issues relating to central Asia.

Specific Objective 1.4: Support the implementation and promotion of:

- strategy on non-proliferation of weapons of mass destruction in order to increase security in this area (WMD);
- strategy on combating illicit accumulation and trafficking of Small Arms and Light Weapons (SALW) as well as measures against illicit spread and trafficking of other conventional weapons;
- EU’s policies in the field of conventional arms exports, in particular on the basis of Common Position CFSP/944/2008

The Global Strategy for the European Union’s Foreign and Security Policy underlines the EU’s strong support for the expanding membership, universalization, full implementation and enforcement of multilateral non-proliferation, disarmament and arms control treaties and regimes.

Projects implemented under the Common Foreign and Security policy to promote and enhance non-proliferation and disarmament (NPD) efforts are a key tool for the achievement of the EU’s objectives of increasing global security and reducing threats to the EU and its wider interests.

To combat the proliferation of weapons of mass destruction, in 2016 NPD projects supported a wide variety of actions to tackle the diversity of threats.

In view of growing terrorist threats, a key topic has been fostering and supporting the implementation of the United Nations Security Council’s Resolution 1540 (UNSCR 1540), which obliges States, to refrain from supporting by any means non-State actors from developing, acquiring, manufacturing, possessing, transporting, transferring or using nuclear, chemical or biological weapons and their delivery systems. The CFSP supported the United Nations Office for Disarmament Affairs to help enhance national and regional capacities and to provide assistance for the development and implementation of countries’ National Action Plans.

The CFSP also supported the entry into force of the Comprehensive Nuclear Test Ban Treaty (CTBT) and the universalization and improved implementation of the Biological and Toxin Weapons Convention (BTWC) and of the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (CWC). In addition, with CFSP assistance, the CTBT organisation continued strengthening verification and detection systems, national BTWC implementation capacity (particularly in developing countries) while UN mechanisms for

Complementing the 176 First Reports from countries on steps taken to implement UNSCR 1540, in 2016 five more countries (Malawi, Canada, Ghana, Uzbekistan and Lesotho) submitted National Implementation Action Plans taking the total to 26 countries.

In 2016:

- An additional two countries (Myanmar and Swaziland) ratified the CTBT taking the total to 166;
- Universalization of the CWC became one-step closer following Angola’s accession, taking the total number of State Parties to the convention to 192;
- Three countries (Guinea, Nepal and Liberia) joined the BTWC following EU sponsored regional workshops;
- India subscribed to Hague Code of Conduct against Ballistic Missile Proliferation and to the Missile Technology Control Regime.

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investigating alleged uses of chemical, biological and toxin weapons were also strengthened. The preparedness of countries to prevent and respond to attacks involving toxic chemicals, international cooperation in the field of chemical activities was enhanced. The CFSP also provided assistance to UN organisations to enhance awareness and understanding of the EU proposal for an international code of conduct on outer-space activities, which would contribute the safety, security and sustainability of all outer space activities and provide a regime of transparency and confidence-building measures was also promoted.

In addition, the CFSP provided assistance for the promotion of the subscription to the **Hague Code of Conduct against Ballistic Missile Proliferation** (HCoC) by all States with ballistic missile technologies by supporting the visibility and implementation of the code as well as promoting adherence to the Missile Technology Control Regime (MTCR) guidelines.

Alongside these efforts to promote, support and sustain multilateral processes to prevent the proliferation of weapons of mass destruction, the CFSP provided funding to the **International Atomic Energy Agency** (IAEA). This support promotes universal adherence to international non-proliferation and nuclear security instruments and helps to strengthen the protection of proliferation-sensitive materials, equipment and technology as well as the detection and response to illicit trafficking of nuclear and other radioactive materials.

Combatting the proliferation of conventional weapons has also been an on-going important area of activity under the CFSP. In particular, the CFSP provided support to promote the development of more responsible and transparent arms export control systems by third countries. A range of activities were undertaken through the CFSP to reduce the threat posed by the widespread accumulation and illicit trade in **small arms and light weapons** (SALW) and their ammunition. In the **Sahel**, support was provided for enhancing the physical security and management of SALW stockpiles as well as assistance for the destruction of SALW. These activities were also supported in **South East Europe** together with enhancement of controls, including through electronic registration and record keeping systems. Alongside these specific activities, the CFSP has also continued to support the world’s most powerful public-access weapons tracking database\(^{19}\) and extensive field based investigations, which together provide evidence-based intelligence to policy makers and those involved in implementing export controls.

For more information, see Annex 12

**Election Observation Missions (19.04)**

**Specific Objective 1.5:** Support and consolidate democratic reforms in third countries, by enhancing participatory and representative democracy, strengthening the overall democratic cycle and improving the reliability of electoral processes, in particular by means of EU Election Observation Missions.

The budget committed under that activity amounted to EUR 30.5 million.

\(^{19}\) [www.un.org/disarmament/convarms/att](http://www.un.org/disarmament/convarms/att)
In 2016, FPI deployed a total of **19 electoral missions** comprising over 500 international mission staff. 7 fully-fledged Election Observation Missions (EOMs) were deployed to observe the whole electoral process in **Gabon, Ghana, Haiti, Jordan, Peru, Uganda and Zambia**. Observation encompasses the campaign period, the legal framework, the political environment and the overall electoral process. On average, an EOM is present in the field for approximately 3 to 4 months, until the completion of the electoral process. The EOMs followed the objectives, principles and methodology of electoral observation, developed over two decades of operational experience with a view to encouraging professionalism and transparency in electoral management, discouraging irregularities and abuse and inspiring public confidence in the electoral process. Therefore, the key programme achievements lie in the contribution to the **consolidation of democracies in third countries** by improving the reliability of electoral processes and in the implementation of a methodology which is considered as one of the most modern among those used by other international organisations. This methodology is based on a comprehensive and systematic observation of the electoral process including among others, the conduct of public and private media as well as issues linked to campaign financing.

In addition, a further 9 Electoral Expert Missions (EEMs) were deployed in Benin, Burkina Faso, Chad, Comoros, Ghana, Haiti, Morocco, Niger and Somalia to **analyse the electoral process** and whose conclusions provided significant inputs to EU political dialogue with the partner countries. An EEM usually consists of two to four experts who meet with a broad range of election stakeholders and analyse the electoral process. Contrary to an EOM, they do not have media visibility.

Finally, 3 Election Follow-up Mission (EFM) took place in Kenya, Madagascar and Pakistan EFMs are headed by the former Chief Observer (MEP) and include a limited number of electoral experts and staff from EEAS and DEVCO and assess the implementation of recommendations made by previous EOMs. These recommendations - included in the EOM's final report - refer to possible improvements in the electoral process for example, providing additional technical assistance to the electoral commission and / or propose changes in the electoral legislation.

Some of these missions were deployed in **volatile security environments** such as the EOM to Gabon and Haiti and the EEM to Somalia:

- The EOM to **Gabon** was deployed in a very hostile environment since the authorities who had invited the mission, were in reality adversely disposed towards it, creating a negative working climate with threats and numerous incidents of intimidation.
- The EOM and EEM to **Haiti** also proved to be quite difficult due to the security conditions prevailing on the ground and the very problematic electoral system which led to a prolonged deployment of the EOM which lasted more than 18 months.
- In EEM **Somalia**, the mission was deployed in a high-risk environment with the service provider taking all the necessary mitigating measures to protect the experts, benefiting from the information received from several EU sources including the European Commission, the EU Delegation on the ground and the EEAS.

The unstable political environment in several of the priority countries on the 2016 priority list led to the cancellation or postponement of elections in three cases, the Philippines (Mindanao), Nicaragua and Gambia.

In spite of these significant difficulties, sound advance planning and good FPI cooperation on security with the service providers and the security services of the European Commission and the EEAS ensured that all obstacles encountered were addressed efficiently and in a timely manner.
Beyond operational planning and the conduct of the EOMs, FPI pursued the following structural measures with a view to further improve EOM management:

- **Particular emphasis was placed on the role and impact of EU EOM recommendations** to ensure that issues raised are mainstreamed into the political dialogue with the country concerned in the framework of a continuous follow-up process. In this regard, FPI, together with EEAS, deployed 3 Follow-up Election Missions (EFM) in Kenya, Madagascar and Pakistan to assess precisely the implementation of recommendations made by previous EOMs, which provided fresh impetus to the national debates between major electoral stakeholders (authorities, political parties and civil society) on these recommendations and future electoral reform.

- **Irreproachable behaviour on the part of mission members is crucial for the functioning of any EOM mission as well as for political image and reputation of the EU in third countries.** The existing Code of Conduct (Council Decision 9262/98) was reviewed by adding an *annex focusing on ethical aspects* and the ways to address issues in case of alleged non-compliance with the provisions set out therein.

- **Work on training and methodology** significantly advanced in 2016. A total of 110 trainees from 27 EU member States participated in the courses provided by the EOM's methodology and training programme Election Observation & Democracy Support (EODS). A total of 9 trainings for Core Team experts and Observers as well as a series of workshops and seminars were organised, involving partners in other EU institutions and Member States. Key EU publications in the field of electoral observation, namely the *EU Election Observation Handbook* and the *Compendium of International Standards for Election Observation*, were revised and translated into French, Spanish and Arabic. EODS also contributed to building a reliable election observation capacity at regional levels and enhanced cooperation with other signatories of the Declaration of Principles for Election Observation as well as other partner election observation networks such as the OSCE, the Venice Commission, the African Union and the Arab Network for Democratic Elections. Finally, online learning tools such as the e-training for Short-Term and Long-Term Observers and the e-training on security for observers were improved and redesigned. E-training is an area that requires further support as it can effectively contribute to a harmonised, high-quality training of observers across all Member States and at a low cost. Therefore, e-training will be among the foci of EODS's successor project, **EODS II project**, for (which further to a tender procedure) a new service provider has been selected for the 2017-2020 period.

Additionally, 2 evaluations were carried out which will feed in to the Mid-Term Evaluation of the EIDHR Instrument in 2017:

- **In cooperation with the EEAS, FPI managed an external evaluation of EU's electoral activities** (EOMs, EATs and EFMs that took place over period 2012-2016) which is to be completed by June 2017. Focusing on two DAC criteria – effectiveness and impact – the evaluation aims to provide an independent assessment of the results of EU observation activities, and to identify key lessons and recommendations. It is the first time the EU has undertaken such an evaluation. Through a literature review, field research and desk studies in relation to 8 countries - Afghanistan, Bolivia, Guinea Conakry, Honduras, Kenya, Mozambique, Sri Lanka and Tunisia - where EU electoral missions were deployed, the evaluation has provisionally concluded that EU electoral activities are effective and produce a notable impact in the host countries to a large extent. In particular, EU election observation activities have been assessed as performing extremely well with regard the quality of their recommendations, their contribution to the mitigation of and/or reduction in electoral violence and how they promote
stakeholders’ continuation of the electoral reform process. The decision to deploy EFMs was noted as a particularly ground-breaking initiative which contributed to promoting coherence and an increased number of coordinated EU responses.

- FPI also contributed to the **external evaluation of the European Instrument for Democracy and Human Rights** carried out in the framework of the Mid-Term Review Process as set out under Article 17 of the Common Implementing Regulation. A draft evaluation report has already been delivered and is subject to an open public consultation from 7 February to 3 May 2017. The report of the external evaluator will be finalised in June 2017 and a Staff Working Document will be drafted subsequently. Both documents will feed into a Mid-Term Review Report on the EIDHR due by the end of 2017 which is to be submitted to the Council and the European Parliament. Provisionally, the evaluation has led to positive conclusions and in particular with respect to EOMs.

For more information, see Annex 12

**Partnership Instrument (19.05)**

2016 has been a productive year for the Partnership Instrument which has now gathered full implementation speed with over 176 finalised and on-going actions. There is growing evidence of the instrument delivering results which support the achievement of EU policy objectives externally.²⁰

In total, a budget of EUR 107.6 million was committed.

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²⁰ Data for indicators linked to FPI specific objectives 1.6 to 1.9 can be found in Annex 12.
FPI Specific objective 1.6: EU and partner countries have developed joint approaches and responses to challenges of global concern

In 2016, PI actions enhanced the ability of the EU to influence and engage internationally at both state and sub-state levels on issues of global concern. Activities have underpinned the growing recognition of the EU's key role on climate change, environment and water while also advancing cooperation on justice and security.

Under this objective, 11 stand-alone actions were adopted in 2016. The following are examples of on-going or completed actions where the PI reinforced cooperation or partnerships through influencing processes:

Support to the Clean Ganga initiative and preparation for wider EU-India cooperation on water issues

India's water challenges are complex and include quantity, allocation, quality and management. One of the major water-related problems and a key priority for India is the management of the Ganga River Basin. The EU and its Member States have a high interest in the water sector in India both in terms of policy exchange and in developing business opportunity. In response to this broad EU interest, the PI has been implementing an action since 2015 which seeks to facilitate the involvement of the EU and its Member States in the Clean Ganga initiative and to provide a concrete example of where EU-India dialogue is underpinned by technical cooperation and real business opportunities. The action falls under the PI strands of action on Water Diplomacy and Market Access. To date, its major results has been the signing of a joint declaration on the India-EU Water Partnership (IEWP) during the 13th EU-India summit on 30 March 16. A Memorandum of Understanding on its implementation was signed in October 2016. The declaration paved the way for a long-term partnership in the water sector which will allow for the replication of EU policies and best practices. Also, close policy collaboration in the sector is expected to facilitate market access for EU companies active in water management.

The PI action has contributed to pave the way for a long term EU-India partnership in a key sector.
TAIEX Expert Mission in support of the High level dialogue EU-Mexico on Security and Justice

On May 25-26 2016, the 2nd High Level Dialogue and technical workshops on Justice and Security between EU strategic partner Mexico and the EU took place in Mexico City, aimed at sharing best practices, promoting mutual learning and cooperation between authorities in the fields of forensics, penitentiary systems and police cooperation. This timely and successful event created an enabling dynamic for further EU-Mexico cooperation in these sectors which are instrumental to a strengthened partnership. Consequently, the 3rd High level Dialogue is envisaged to take place within the next two years.

FPI Specific objective 1.7: Partner countries take up measures and actions towards the implementation of the international dimension of the EU 2020 strategy

In 2016, PI anticipated, enabled and concretely supported policy dialogue and cooperation with a wide range of partners creating an enabling dynamic for the realisation of the international dimension of the Europe 2020 strategy as well as for the strengthening of the EU’s political relationship with partners more broadly.

Under this objective, 4 stand-alone actions were adopted in 2016. Examples of a few finalised or on-going actions where the PI influenced partner country approaches beneficial to the achievement of Europe 2020 strategy last year are provided below:

EU-India cooperation on ICT-related standardisation, policy and legislation

India is a strategic economic partner for the EU and a key player both in the South Asia region and at global level. Significant market access barriers exist in the Indian ICT sector and there is a risk that additional India-specific ICT standards could result in further market access barriers for European companies.

Launched in April 2015, this action supports cooperation between the EU and India on ICT-related standardisation, policy and legislation issues. Cooperation on ICT standardisation was confirmed as a priority and ambitiously taken forward in the EU-India Agenda for Action 2020 agreed during the EU-India Summit on 30 March 2016. Specifically, the action focuses on supporting India’s successful participation from an early stage in international ICT standardisation efforts, thereby avoiding the development of India-specific standards as well as improving and reinforcing the market perspectives for the EU ICT sector in an area where the EU-India Broad Based Trade and Investment Agreement (BTIA) negotiations yield only limited benefits. In the long term, the EU-India ICT standardisation cooperation is aimed at strengthening the global position of European and Indian standards.

The action is a positive example of how the PI supports mutually beneficial cooperation between partners, in turn creating a sustainable momentum for a closer relationship. The successful inception phase of the ICT standardisation cooperation helped facilitate collaboration on standard setting and capacity building with a view to supporting the realisation of a digital society / the Digital Agenda. Furthermore, it acted as a catalyst for an active dialogue between EU and Indian experts from the public and the private sectors, leading to the identification of priority areas (including 5G and Intelligent Transport Systems) of cooperation for the next phases of the project.
EU-China Dialogue on Migration and Mobility Support Project (MMP)

This PI action promotes EU-China mutual interest in addressing together migration. It was designed in support of the EU-China High Level Dialogue (HLD) on Migration and Mobility and aims to contribute to better management of mobility and legal migration between the EU and China, as well as to reduce irregular migratory flows stemming from China. China is an important country of origin of migration to the EU and is fast becoming an important country of destination for migrants itself, which has significant policy and legislative implications thereby providing a solid basis for EU-China exchange and dialogue as well as opportunities for capacity-building.

The project has made a significant contribution to the EU's political and policy engagement with China. EU interest in this action lies in the support it provides to the HLD where EU values for example on irregular migration can be clearly articulated. In this perspective, a key achievement in 2016 was the initial opening of dialogue on practical cooperation on return and readmission. Overall, there is a high level of satisfaction of the Chinese authorities and EU Member States with this action.

FPI Specific objective 1.8: Understanding and visibility of the Union and its role on the world scene is enhanced and widened

In 2016, PI public diplomacy actions allowed for the EU to engage with a broad range of stakeholders in key partner countries in order to build trust and mutual understanding. Activities targeted students, academia, policymakers and influencers, civil society and cultural operators. There is evidence that the actions contributed to enhancing knowledge and understanding of the EU.

Under this objective, 1 public diplomacy action was adopted in 2016 covering academic cooperation and outreach under Jean Monnet, civil society engagement in India and the USA, policy outreach in Canada, India and South Korea and a customised EU-China Interpreters Training Programme. The following are examples of a few finalised or on-going actions where the PI enabled strategic engagement with key audiences in view of enhancing knowledge and understanding of the EU.

EU-Australia Leadership Forum (EUALF)

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

In addition, it provides a mechanism for the EU to share the international dimension of Europe 2020 with Australian leaders as well as a means to identify and advance work in priority action areas where Australia and the EU can work together.

At its Australian launch in October 2016, the Australian Foreign Minister referred to EULAF as “an important milestone in what is one of our most important relationships” and as means to “bring new energy and passion and vision to this wonderful relationship involving a range of people that will come together to discuss our common challenges and common opportunities”.

The MMP is supporting EU political priorities on migration.
This PI action seeks to bridge the gap between key EU-Russia expert communities in view of promoting mutual trust and understanding.

Engagement of EU and Russian think tanks and journalists

Following the deterioration of EU-Russia bilateral relations in 2014, public diplomacy has become a priority area for the EU work in Russia. Launched in November 2015, this initiative provided a direct impetus to strengthening people-to-people contacts between EU and Russian citizens and civil society by focusing on developing and enabling dialogue, professional debates and exchange between high-profile think tanks and journalists who play an important role in forming public opinion in the EU and Russia.

It has been instrumental in initiating discussion/debates and in sharing of diverse non-mainstream points of view in order to contribute to the development of an alternative public opinion discourse on the EU in the Russian society and vice-versa. The EU-Russia expert meetings provided an opportunity for influential think-tanks to deepen contacts and improve mutual understanding on foreign policy issues. The seminars for EU and Russian journalists promoted dialogue on the challenges facing journalist communities in the EU and Russia, fostering better mutual understanding. A total of 4 meetings of think-tanks and 4 journalist meetings were held in 2016 with a high degree of participant satisfaction. Additional public diplomacy activities are already being implemented.

FPI Specific objective 1.9: Improved fulfilment of EU’s economic interests (trade, investment and business)

In 2016, the PI strengthened engagement between the EU and economic - including business - stakeholders and among business stakeholders with a view to opening up market access and ensuring a level playing field for EU companies.

Under this objective, 6 actions were adopted in 2016 covering the areas of fair competition, transparency and civil aviation. The following examples of on-going actions illustrate how PI action has influenced processes related to market access and business opportunities:

EU-China Aviation Partnership Project

The project complements and reinforces European aviation interests, including in the area of aviation safety, in China which is a key growth market. As such, the project includes a strong policy-support component underpinning the implementation of the international dimension of the Europe 2020 Strategy. Through its focus on supporting the negotiation of a Bilateral Aviation
Safety Agreement (BASA) and aligning strongly to EU aviation industry needs, it successfully underpins key EU policy interests vis-à-vis China. The EU Aviation Strategy – adopted by the European Commission on 7 December 2015 -identifies the negotiation of new EU-level agreements with several countries, including China, as tools to improve market access for EU industry. By the end of 2016, the action achieved a high level of cooperation from the Civil Aviation Administration of China, buy-in from EU industry and initial progress on market access which augurs well for future engagement with China in this area.

Low Carbon Business Action in Brazil and Mexico – Phase I

The EU is committed to combat climate change and thus stimulate climate action by middle-income partner countries such as Brazil and Mexico who have the potential and interest to make the shift towards a low-carbon economy. At the same time, the EU has a lead role in low carbon technologies and solutions which can realise a greener economy. A key objective of EU industrial policy is to promote the internationalisation of EU companies, in particular SMEs by facilitating their entry into new markets. The Low Carbon Business action in Brazil and Mexico launched in August 2015 offers the opportunity to combine these two EU policy objectives within one action.

In Brazil, up to 230 companies participated in 5 matchmaking missions, between respectively, 125 Brazilian and 77 EU SMEs and 14 Brazilian and 14 EU clusters of companies. The matchmaking missions focused on Energy efficiency in Buildings, Solid Waste Management, Biogas and Bio-methane and Renewable/Clean Energy. In total, 366 Business Cooperation Partnership Agreements (far exceeding exceeded the project target of 80 Agreements) were signed thanks to PI support which demonstrates a keen mutual interest in exploring EU-Brazil business cooperation. In Mexico, 186 European SMEs registered on the project platform, while 75 companies and 14 clusters from the EU and 150 SMEs from Mexico participated in business to business (B2B) meetings. 4 matchmaking events held during 2016 resulted in 37 signed Cooperation Partnership Agreements (CPAs). Phase II of this successful project is currently under preparation.

For more information, see Annex 12

Information outreach on the Union's external relations (19.06)

Press and Information

The information and communication activities of FPI were limited to the regular updating and maintenance of the FPI website and the management of the EU Visitors Programme (see below). This budget also covered the financing of the TV Euronews programme in the Farsi language which is implemented through a framework partnership agreement with Euronews, managed by DG CONNECT. During 2016, discussions took place with Euronews on the gradual switch over from a satellite-based to a digital-based transmission with view to extending the reach of transmission in Farsi to a larger population group in Iran during the course of 2017. During the third quarter of 2016, Euronews registered 1.7 million visits to its digital Farsi services which proved to be 6th most popular language of the 13 languages versions provided.

In line with the provisions of the FPI/EEAS service level agreement of December 2013, EEAS continued to provide services directly to FPI and other Commission services for implementing certain activities of the annual Press and Information budget for the benefit of the EU, both in
its 135 Delegations worldwide and at Headquarters.

**EU Visitors Programme**

In 2016, EUVP continued to enhance the quality and visibility of this long-standing and unique inter-institutional agreement between the Commission and the European Parliament on increasing knowledge of the EU among leader and emerging leader and opinion-formers from third countries via structural information visits to EU institutions and EU Member States. In 2016, EUVP organized 113 study visits, better tailored to participants' interests as well as to EU interlocutors needs. Participants – mostly young leaders - from third countries were regularly received by Members of the European Parliament, high-level officials from Commissioners' Cabinets and from other EU institutions.
2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

This section answers to the question how the achievements described in the previous section were delivered by the Service. This section is divided in two subsections.

The first subsection reports the control results and all other relevant information that support management's assurance on the achievement of the financial management and internal control objectives. It includes any additional information necessary to establish that the available evidence is reliable, complete and comprehensive; appropriately covering all activities, programmes and management modes relevant for the Service.

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

2.1 Financial management and internal control

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

This examination is carried out by management, who monitors the functioning of the internal control systems on a continuous basis, and by internal and external auditors. Its results are explicitly documented and reported to the Head of Service. The sources of assurance analysed by management are:

General sources of assurance

- regular reporting on budget forecasts (commitments and payments) in line with internal (in particular DG Budget) and external requirements (under the CFSP, as laid down in the Inter-Institutional Agreement or IIA);

- controls arising from ex ante verification by the central financial unit (FPI.1) for all HQ operations; controls arising in EU Delegations through financial circuits;

- "pillar" assessments - indirect management: FPI relies on DEVCO compliance reports on international organisations and some agencies, sometimes doing its own; for CFSP, FPI performs its own assessments contracted externally in accordance with defined terms of reference;

- on-the-spot monitoring missions by FPI programme managers (IcSP/IfS, PI/ICI, CFSP) focusing on managerial aspects of implementation by the beneficiary/partner, progress towards achieving their objectives, and (CFSP) budget planning;

- reports of supervision missions carried out on delegations implementing FPI funds, in order to assess the effectiveness of the internal control systems in delegations;

- expenditure verification reports submitted by beneficiaries in support of payment claims (especially final payment) and conducted by FPI-approved external auditors following DEVCO practice (e.g IcSP/IFS, EOMs);

- CFSP missions/EUSRs require external financial audit reports at final payment using a
dedicated framework contract concluded by FPI;

- reports of **ex-post controls** by external auditors (contracted using terms of reference drafted specifically for FPI’s needs in the case of CFSP; using DEVCO models for Stability Instrument (IcSP/IfS), EOMs and for PI/ICI); findings are cross-checked with results of other controls notably financial reports/audits conducted in relation to payments and corrections/recoveries made if necessary;

- **ex-post controls in indirect management** (mainly IcSP/IfS): audit reports on control results as well as results of the Commission controls (verification missions) - mainly UN agencies (governed by the EU-UN framework agreement or FAFA);

- **annual reports of sub-delegated authorising officers** (at HQ) and by heads of EU delegation\(^{21}\) managing FPI funds (IcSP/IfS and PI/ICI) which include a declaration of assurance;

- contributions of the Internal Control Coordinator, including results of **internal control monitoring** at FPI level; actions resulting from the **risk management** process;

- annual declarations by services having **cross sub-delegations** or service level agreements – SCIC, CNECT and the EEAS;

- **observations and recommendations by auditors**: the European Court of Auditors (ECA), the Commission Internal Audit Service (IAS), and the Commission’s Accounting Officer (DG Budget) on the accounts and local systems.

These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a complete coverage of the budget delegated to the Head of Service of FPI.

### Sector- or instrument-specific sources of assurance

**Instrument contributing to Stability and Peace**: Devolved delegations report regularly to HQ on **project implementation**. This includes financial information on the use of appropriations and is the basis for a regular review of budget implementation.

**Common Foreign and Security Policy** (Indirect management): Normally two pre-financing payments are made for CFSP missions, one for small budget and/or short duration EUSRs. The second payment follows the acceptance of an interim report and financial statement. In addition CSDP missions have to provide **monthly**, and EUSRs **3-monthly, implementation reports**. Indirect management - international organisations: Narrative and financial reports must be provided with each payment request. If project duration is more than 12 months, i.e. at least one report every 12 months plus a final report.

**Election Observation Missions**: FPI procures logistical services for each EOM by a framework contract which foresees pre-financing, as it is necessary to make a range of immediate payments on behalf of the Commission; the invoice is accompanied by a financial guarantee for the whole amount and for the duration of operation. An expenditure verification report by external auditors is required to make final payment.

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\(^{21}\) Please refer to section 2.1.4 and Annex 7 for further details.
Partnership Instrument:

For the Partnership Instrument the individual contracting (legal commitments) and resulting payments are managed by delegations, therefore the first priority is to ensure that the delegations have the capacity to manage responsibilities deriving from the sub-delegation and whether internal control standards are correctly applied. This is achieved through the supervision missions (described below) of the FPI HQ staff to the delegations. For projects managed at HQ the regular contractual framework applies (PRAG).

This section reports the control results and other relevant elements that support management's assurance. It is structured into (a) Control results, (b) Audit observations and recommendations, (c) Effectiveness of the internal control system, and resulting in (d) Conclusions as regards assurance.
2.1.1 Control results

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives. The Service's assurance building and materiality criteria are outlined in the AAR Annex 4. Annex 5 outlines the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the control systems.

The overview of FPI operational funds in 2016 is presented below per instrument and per type of expenditure. The indicators included in this report cover all FPI operational expenditure.

The split between management modes is 62% direct management (either at headquarters or in Delegation) and 38% indirect management (mainly CFSP).

<table>
<thead>
<tr>
<th>Payments made 2016</th>
<th>Payments made 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR million</td>
<td>EUR million</td>
</tr>
<tr>
<td>Instrument contributing to Stability and Peace (IcSP)</td>
<td>264,01</td>
</tr>
<tr>
<td>Common Foreign and Security Policy (CFSP)</td>
<td>233,01</td>
</tr>
<tr>
<td>Election Observation Missions (EOMs)</td>
<td>20,68</td>
</tr>
<tr>
<td>Partnership Instrument (PI)</td>
<td>38,97</td>
</tr>
<tr>
<td>Press &amp; Info</td>
<td>8,97</td>
</tr>
<tr>
<td>Administrative expenditure</td>
<td>8,35</td>
</tr>
<tr>
<td>Cross sub-delegations</td>
<td>4,83</td>
</tr>
<tr>
<td>Total</td>
<td>578,81</td>
</tr>
</tbody>
</table>

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

Whereas under the Instrument contributing to Stability and Peace (IcSP/IfS) the financing decision and budgetary commitment are effected by HQ services, the subsequent individual contracting (legal commitments) and resulting payments are predominantly managed by the delegations. There, still in 2016, FPI relied largely on the Commission staff attached since the beginning of 2011 to DG DEVCO and DG NEAR. IfS/IcSP management on behalf of FPI follows the same circuits and procedures as DG DEVCO and apply the same rules (Practical Guide, Companion etc.). A guidance note to the delegations implementing IcSP/IfS projects lays down specific features of the instrument. As from end 2016 FPI is pursuing the approach consisting of regional teams where its staff will be concentrated in a number of regional delegations to provide economies of scale in the management of IcSP projects and reduce reliance on staff of other external relations DGs. The full deployment of regional teams is planned during 2017.

In 2016 about EUR 48.4 million or nearly 20% of IfS/IcSP projects was implemented by FPI HQ with EUR 215.6 million (over 80%) implemented by devolved Delegations. Detailed structure of the 2016 IcSP payments is presented in the tables below:

<table>
<thead>
<tr>
<th>Payments made 2016</th>
<th>EUR million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct:</td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>166.98</td>
</tr>
<tr>
<td>Procurement</td>
<td>77.63</td>
</tr>
<tr>
<td>Indirect:</td>
<td></td>
</tr>
<tr>
<td>Grants to International Organisations</td>
<td>104.76</td>
</tr>
<tr>
<td>Entrusted Entities (CFSP)</td>
<td>221.04</td>
</tr>
<tr>
<td>Other</td>
<td>8.40</td>
</tr>
<tr>
<td>TOTAL</td>
<td>578.81</td>
</tr>
</tbody>
</table>

FPI budget per type of expenditure - payments made 2016

![Chart showing budget structure]

Instrument contributing to Stability and Peace

Whereas under the Instrument contributing to Stability and Peace (IcSP/IfS) the financing decision and budgetary commitment are effected by HQ services, the subsequent individual contracting (legal commitments) and resulting payments are predominantly managed by the delegations. There, still in 2016, FPI relied largely on the Commission staff attached since the beginning of 2011 to DG DEVCO and DG NEAR. IfS/IcSP management on behalf of FPI follows the same circuits and procedures as DG DEVCO and apply the same rules (Practical Guide, Companion etc.). A guidance note to the delegations implementing IcSP/IfS projects lays down specific features of the instrument. As from end 2016 FPI is pursuing the approach consisting of regional teams where its staff will be concentrated in a number of regional delegations to provide economies of scale in the management of IcSP projects and reduce reliance on staff of other external relations DGs. The full deployment of regional teams is planned during 2017.

In 2016 about EUR 48.4 million or nearly 20% of IfS/IcSP projects was implemented by FPI HQ with EUR 215.6 million (over 80%) implemented by devolved Delegations. Detailed structure of the 2016 IcSP payments is presented in the tables below:
FPI operations under IcSP are mostly crisis response concentrated in the regions with limited number of operating partners, where UN act often as a single entry point. In addition, Art.4 of the Regulation establishing an Instrument contributing to Stability and Peace\textsuperscript{23} requires close coordination with the UN. In 2016 almost 40% of payments (EUR 101.7 million) under IcSP were done under indirect management mode to international organisations.

In 2016, 19 delegation agreements under indirect management were signed for a total amount of EUR 78,5 million. The majority was signed with UN agencies (15 delegation agreements for a total amount of EUR 48,3 million). 2 delegation agreements were signed with International Organisation for Migration (EUR 24,2 million), and 2 with other international organisations.

**Common Foreign Security Policy**

From the total budget implemented, 86.6% was managed under indirect management by CFSP missions (79.4% of the total budget committed), EUSRs (1.3% of the total budget committed) and international organisations (5.9%); and the remainder under direct management (13.4%) covering mainly the grant agreement with the registrar of the Kosovo specialist chambers. For indirect management in the field of the non-proliferation, FPI usually deals with international organisations from the UN family.

**Election Observation Missions**

The EOM programme is implemented under direct management (100%). Within the EOM programme, in 2016 FPI was responsible for the implementation of EUR 30.5 million commitment appropriations and EUR 20.7 million payment appropriations. Due to the nature of the EOMs the operations are implemented through the framework contract, allowing for a rapid deployment of the missions.

\textsuperscript{23} No 230/2014 of 11 March 2014
**Partnership Instrument**

The majority of actions proposed are contracted through procurement of services.

In 2016 about EUR 16.3 million or nearly 42% of the PI projects was implemented by FPI HQ with EUR 22.7 million (over 58%) implemented by devolved Delegations. Detailed structure of the 2016 PI payments is presented in the tables below:

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Payments by FPI HQ</th>
<th>Payments by Delegations</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants</td>
<td>7.72</td>
<td>4.42</td>
<td>12.15</td>
</tr>
<tr>
<td>Procurement</td>
<td>8.53</td>
<td>18.29</td>
<td>26.82</td>
</tr>
<tr>
<td>TOTAL</td>
<td>16.26</td>
<td>22.71</td>
<td>38.97</td>
</tr>
</tbody>
</table>

### Information outreach

The Press and Communication programme is implemented under direct management (100%). The EEAS/Delegations and DG CONNECT implement part of the budget. An amount of EUR 13.65 million was allocated on this budget line, with EUR 8.7 million entrusted to EEAS, EUR 4.68 million used for Euronews in Farsi (managed by DG CONNECT under cross sub-delegation – please refer below), and EUR 0.27 million used for press and information contracts of FPI.

**Cross sub-delegations**

As in previous years, FPI has cross sub-delegated funds on specific budget lines to other DGs as listed in the below table. Being Commission departments as well, all concerned Authorising Officers by Delegation (AoD) are required to implement the appropriations subject to the same rules, responsibilities and accountability arrangements.

The cross sub-delegations arrangements require the AoD of these DGs to report on the use of these appropriations. In their reports, the AoDs did not communicate any events, control results or issues, which could have a material impact on assurance.

<table>
<thead>
<tr>
<th>cross sub-delegations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description</strong></td>
</tr>
<tr>
<td>Partnership Instrument</td>
</tr>
<tr>
<td>Press &amp; Information</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
</tr>
</tbody>
</table>

Management concludes that the control results presented below cover all the internal control objectives relevant for FPI. They are based on reliable and robust information. Completeness is ensured by covering at least 90% of the budget by the analysis based on indicators. Therefore the results presented below can be used as a source of assurance on the achievement of
internal control objectives. The results on legality and regularity on two budget chapters (CFSP and ICI/PI) indicate the need to maintain the reservation introduced in the AAR 2015. For details on the reservation please refer to section 2.1.5.

This reservation has no impact on the other FPI activities.
Table I – The summary of the main sources of assurance

<table>
<thead>
<tr>
<th>Type of expenditure</th>
<th>Internal Control Objectives</th>
<th>Other assurance components</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-type / Activities</td>
<td>Type of expenditure</td>
<td>Internal Control Objectives</td>
</tr>
<tr>
<td>Grants</td>
<td>Procurement</td>
<td>Indirect mngt</td>
</tr>
<tr>
<td>Instrument contributing to Stability and Peace (IcSP)</td>
<td>145,46</td>
<td>16,79</td>
</tr>
<tr>
<td>Common Foreign and Security Policy (CFSP)</td>
<td>11,81</td>
<td>0,16</td>
</tr>
<tr>
<td>Partnership Instrument (PI/ICI)</td>
<td>9,15</td>
<td>26,82</td>
</tr>
<tr>
<td>Election Observation Missions</td>
<td>0,34</td>
<td>19,96</td>
</tr>
<tr>
<td>Cross sub-del</td>
<td>4,83</td>
<td></td>
</tr>
<tr>
<td>Press &amp; Info</td>
<td>8,97</td>
<td></td>
</tr>
<tr>
<td>Administrative exp.</td>
<td>0,22</td>
<td>0,10</td>
</tr>
<tr>
<td>TOTAL</td>
<td><strong>166,98</strong></td>
<td><strong>77,63</strong></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Control Strategy**

**a) financial circuits model and ex-ante controls**

Until 15 June 2016 the operational budget implemented by HQ used the financial circuit "partially decentralised with counterweight" meaning that all transactions were subject to prior verification by a financial control unit (FPI.1.) which did not report to, or take instructions from the sub-delegated authorising officer (AOSD) in the operational units, but report instead to the Head of Service.

The re-organisation of FPI (please refer to section 2.2 for details) implied revision of its financial circuits, which as of 16 June 2016 follow the centralised model for payments, with Head of FPI.1 fulfilling the role of AOSD for all the payments above EUR 3 million. The reorganisation of FPI – centralisation of financial initiation and financial verification – aimed to streamline the organisational structure and internal control systems to ensure further efficiency gains. This was achieved through the transfer of financial staff attached to operational units towards a newly created finance and contracts sector in FPI.1. Apart from processing the transactions under the new financial circuits, this sector offers support and guidance to FPI staff in operational units, EU Delegations and CSDP missions on issues such as preparation and implementation of projects, assistance in interpretation of PAGODA provisions and support on conduct of tenders and other procedures.

The finance and contracts section also plays an essential role in non-financial transactions. The Annual Action Programmes are subject to the ex-ante verification of the FPI.1 as well as all financing decisions. This ex-ante review improves the ultimate quality of the documents and ensures increased coherence between the actions to be financed and the management mode.

Following the financial circuits introduced mid-2016, FPI.1 also takes an active role in all tendering procedures managed by the Service assuming the role of a chairman of evaluation committees for procurement procedures and call for proposals for grants. This role provides valuable value added aiming at increasing the quality of the tender dossiers managed by the FPI and securing the legality and regularity of the tender procedures.

In addition a new team within FPI.1 dealing with audit and controls was created to centralise and reinforce FPI's capability with regard to ex-post controls, supervision missions and audit.

**b) ex-post controls**

In accordance with the Financial Regulation, the authorising officers must put in place management and control structures and procedures suited to the performance of their duties, including where appropriate ex post controls. These are controls which are conducted after project implementation has begun and after a significant transaction has been completed. They are designed to obtain an additional assurance that the control system works as intended, and that the initial ex ante controls are effective.

*Ex post* controls are essential for achieving a reasonable assurance, because: **first**, 82% of funds under IcSP are sub-delegated to be managed by EU delegations and **second**, the CFSP budget is nearly entirely (87%) managed in indirect management by CFSP missions, under the authority of Heads of Mission. Thus FPI *ex ante verification*
cannot give a complete assurance since it covers only those transactions processed by HQ services. For CFSP, verification by the ex-ante control unit at HQ covers all transactions up to and including the payment of funds to the CFSP missions, but does not cover the transactions effected by the missions themselves (contracting and payments).

The consequences in terms of ex post controls, controls assessing compliance with the requirements for indirect management (Article 60 FR) and other mitigating measures in the case of non-compliance are described below.

In accordance with ex-post methodology at least 10% of the payments of each instrument are covered each year.

In addition to the direct benefit of identifying expenditure to be recovered, the ex-post controls also assist FPI in the identification of system improvements to prevent the declaration of expenditure that is later identified to be ineligible. Thus, ex-post controls significantly contribute to ensuring the continued functioning and improvement of controls at the level of the missions and, hence, the relatively low levels of expenditure that is declared and subsequently found to be ineligible.

c) assessment of the effectiveness of management and control systems

In the area of indirect management and direct management implemented by the EU Delegations FPI ensures that the management and control systems are robust and reliable before entrusting implementation tasks. This is achieved by pillar assessments in indirect management and by supervision missions in direct management.

- Pillar assessments of CSDP missions

Indirect management by CFSP missions remains a challenge for the internal control system and the assurance and an area of risk in the operational budget. Before entrusting funds to CFSP missions in the indirect management mode the Commission must first ensure that they comply with the “pillar” requirements (Art. 60 FR).

For new missions, compliance is not possible due to a particular feature of the CFSP operating environment, namely that CFSP missions are each time created on an ad-hoc basis. In order for them to be operational from day one, the Commission has to entrust them with funds necessary for their functioning, including procurement of equipment, without being able to have a prior assessment of compliance. While this situation pertains in every case where a new body or agency is created under the EU budget, the difference is that CFSP missions operate outside the EU and often in volatile security environments. Longer-established missions have now had a chance, with FPI assistance, to become compliant. In keeping with its action plans in response to various past audit findings, FPI has already positively assessed the compliance with Article 60 FR of EULEX Kosovo, EUPOL Afghanistan, EUMM Georgia and EUPOL COPPS. Work is continuing on the compliance with Article 60 of the remaining missions, starting with EUCAP Sahel Niger and EUCAP Nestor. Moreover the pillar assessments of three additional missions were launched end of 2016 (EUBAM Rafah, EUAM Ukraine and EUCAP Mali). Regarding the mission which has not yet been assessed (EUBAM Libya); this has been delayed due to security reasons and is planned for end 2017. The 4 compliant missions consumed approximately 43% of the 2016 CFSP budget.

In order to provide assurance, FPI relies on its ex ante and ex post controls and
monitoring as well as the specific mitigating measures:

a) **financial reporting** (delegated management reports) by the missions as fixed in the agreements concluded between the Commission and each CFSP mission.

b) obligatory **external audits** before all final payments, also specified in the agreements;

c) **monitoring** missions by the FPI project managers; missions where financial management is identified as “at risk” may be subject to more intensive monitoring and support and FPI is putting in place arrangements to allow external procurement experts to be made available on an ad hoc basis to assist and advise missions.

d) **monitoring/assessment of art. 60 compliance missions** by FPI staff: all art. 60 compliant missions are subject to these specific monitoring missions carried out by a team of FPI staff. The first such mission takes place 6 months after the mission started in full indirect management mode. Subsequently approximately every two years compliant missions will be assessed again.

e) **ex post / on-the-spot controls** by the Commission.

f) obligations regarding the main elements (procurement, segregation of duties, accounts and external audits) are specified in the agreements concluded between the Commission and each CFSP mission. Progressive implementation of the Article 60 criteria by the missions, subject to verification by the Commission.

Additional specific mitigating measures for not fully compliant missions:

a) reinforced monitoring and support by the FPI project managers; missions where financial management is identified as “at risk” may be subject to more intensive monitoring and support and FPI is putting in place arrangements to make available external procurement experts on an ad hoc basis to assist and advise missions.

b) in view of the temporary inability to ensure compliance with Article 60 for some of the missions, the agreements subjected all procurement by the CFSP missions of more than EUR 20 000 to mandatory prior approval by the FPI HQ;

c) **the clearing of pre-financing for non-pillar assessed missions** is done only based on audited final report.

- **Supervision Missions**

Supervision Missions are a management tool designed to assess the effectiveness and efficiency of the management and control systems in place in EU Delegations running FPI instruments. The purpose of these verification missions is to check not only whether they have the capacity to manage the responsibilities deriving from the sub-delegation but also whether the Internal Control Standards are correctly applied. Their results allow FPI to draw conclusions on lessons learned and to share good practice and information which can be used in management decisions at all levels.

FPI performed 6 supervision missions in 2016: Mexico, Brazil, Japan, USA, Guinea (Conakry) and Jordan. The management and control systems of these delegations were all evaluated as being partially effective (the 2016 average score is 74%), but with no issues potentially having material impact on assurance.

Recommendations were made on handling public procurements of high value due to the
generally low experience of staff in Delegation in the area. FPI has already organized ad-hoc trainings and an annual seminar which also address that risk. Other improvements are also needed in staff development and in document management for the delegations managing the Partnership Instrument. Still, the areas for improvement do not have material impact on the assurance.
Coverage of the Internal Control Objectives and their related main indicators

Control effectiveness as regards legality and regularity

FPI has set up internal control processes aimed to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments concerned. The main control objective for legality and regularity is to ensure that the multi-annual residual error rate does not exceed 2% for any of the activities.

The sampling method applied by FPI for ex post controls is stratification per instrument and per risk category (low, medium, high). Both the detailed risk assessment (carried out based on specific criteria for each instrument) and the stratification per risk are carried out in accordance with the relevant guidance. The cost-benefit ratio and the geographical spread are also taken into account for the preparation of the annual plan of ex post controls.

Multiannual error rate (MER): FPI took 2014, the first year of the multiannual financial framework until 2020 and of the new instruments, as its base year for reporting this new requirement. Therefore, 2016 is the third year of using the multiannual approach of reporting on ex post controls. The results based on these three years (2014–2016) are presented below.

FPI carried out a detailed analysis of the types of errors encountered at beneficiary level as a result of ex post controls. The majority of errors were linked to lack of adequate supporting documents, errors in the calculation of costs claimed, non-budgeted costs claimed and non-compliance with procurement rules.

The multi-annual residual error rate (RER) for 2014–2016 takes into account total ineligible expenditure detected and corrected compared to total payments made in 2014–2016. Based on the multi-annual RER, FPI is of the opinion that the control procedures in place give the necessary guarantees for the legality and

---

### Multiannual Error Rate (MER)

<table>
<thead>
<tr>
<th>ABB activity</th>
<th>Payments made in 2014 and 2016 (€)</th>
<th>Number of ex-post controls</th>
<th>Sampled amount verified (includes previous years)</th>
<th>Related total amounts paid (incl. pref)</th>
<th>Value audited = EC share of value claimed</th>
<th>Ineligible amount (€)</th>
<th>Amount to be recovered</th>
<th>Corrections made (i.e. debit note issued or amount registered for offsetting)</th>
<th>Detected error rate (i.e. (J/E)</th>
<th>Residual error rate of the sample = [(J-K) + (G-E)]/G</th>
<th>Amount at risk in the population (€) = (C/L)</th>
<th>RER in the population (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>19.02 Crisis response and global threats to security (IFs/IcSP)</td>
<td>670 629 217</td>
<td>32</td>
<td>77 772 946</td>
<td>94 469 980</td>
<td>91 861 988</td>
<td>1 936 449</td>
<td>1 204 037</td>
<td>550 389</td>
<td>1.55%</td>
<td>0.97%</td>
<td>9 831 918</td>
<td>1.47%</td>
</tr>
<tr>
<td>19.03 Common foreign and security policy (CFSP)</td>
<td>778 759 665</td>
<td>21</td>
<td>64 677 521</td>
<td>125 216 736</td>
<td>109 458 138</td>
<td>1 374 140</td>
<td>1 374 140</td>
<td>652 047</td>
<td>2.12%</td>
<td>1.60%</td>
<td>15 883 498</td>
<td>2.04%</td>
</tr>
<tr>
<td>19.04 European Instrument for Democracy and Human Rights (EIDHR - EOMs)</td>
<td>75 940 563</td>
<td>6</td>
<td>13 290 176</td>
<td>15 668 515</td>
<td>15 667 959</td>
<td>25 344</td>
<td>25 344</td>
<td>1 305</td>
<td>0.19%</td>
<td>0.18%</td>
<td>143 512</td>
<td>0.19%</td>
</tr>
<tr>
<td>19.05 Partnership Instrument / Industrialised Countries Instrument (ICI / PI)</td>
<td>79 547 444</td>
<td>14</td>
<td>8 131 590</td>
<td>8 718 024</td>
<td>8 785 321</td>
<td>786 186</td>
<td>516 645</td>
<td>643</td>
<td>0.50%</td>
<td>0.50%</td>
<td>4 595 008</td>
<td>0.78%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1 604 876 888</td>
<td>73</td>
<td>183 072 234</td>
<td>244 073 254</td>
<td>225 773 459</td>
<td>4 122 119</td>
<td>3 126 051</td>
<td>1 720 386</td>
<td>1.91%</td>
<td>1.20%</td>
<td>30 463 936</td>
<td>1.90%</td>
</tr>
</tbody>
</table>

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24 Understood as multi-annual RER in the population for any of the activities
25 The planning of ex post controls is still done on an annual basis

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regularity of the underlying transactions except for CFSP (non-proliferation only) and ICI instruments where the rate of above 2% leads to a reservation. The analysis of the residual error rate (RER) for 2016 only indicates that the action plan implemented as a result of a reservation in the AAR 2015 has already produced good results: ineligible amount in 2016 is EUR 0.83 million compared to EUR 2.16 in 2015. Still the action plan of 2015 remains in force and FPI intends to implement it in full in 2017. Both the reservation and the action plan are summarised below in section 2.1.5 and Annex 10.

In the context of the protection of the EU budget, at the Commission's corporate level, the DGs' estimated overall amounts at risk and their estimated future corrections are consolidated.

For FPI, the estimated overall amount at risk at payment\(^{26}\) for the 2016 payments made is EUR 10.4 million. This is the AOD's best, conservative estimation of the amount of relevant expenditure during the year not in conformity with the applicable contractual and regulatory provisions at the time the payment is made.

This expenditure will be subsequently subject to ex-post controls and a sizeable proportion of the underlying error will be detected and corrected in successive years. The conservatively estimated future corrections for those 2016 payments made are EUR 1.5 million. This is the amount of errors that the DG conservatively estimates to identify and correct from controls that it will implement in successive years.

The difference between those two amounts leads to the estimated overall amount at risk at closure of EUR 8.9 million

\(^{26}\) In order to calculate the weighted average error rate (AER) for the total relevant expenditure in the reporting year, the detected, estimated or other equivalent error rates have been used.
Table II - Estimated overall amount at risk at closure

<table>
<thead>
<tr>
<th>FPI</th>
<th>payments made</th>
<th>minus new(^a) prefinancing</th>
<th>plus cleared(^b) prefinancing ([minus retentions (partially) released(^c) and deductions of expenditure made by MS]) = &quot;relevant expenditure&quot;(^d)</th>
<th>Average Error Rate (weighted AER; %)</th>
<th>estimated overall amount at risk at payment</th>
<th>Average Recoveries and Corrections (adjusted ARC; %)</th>
<th>estimated future corrections</th>
<th>estimated overall amount at risk at closure (EUR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instrument contributing to Stability and Peace (IcSP)</td>
<td>264</td>
<td>230</td>
<td>201</td>
<td>235</td>
<td>1,55%</td>
<td>4</td>
<td>0,21%</td>
<td>0,5</td>
</tr>
<tr>
<td>Common Foreign and Security Policy (CFSP)</td>
<td>233</td>
<td>203</td>
<td>178</td>
<td>208</td>
<td>2,12%</td>
<td>4</td>
<td>0,28%</td>
<td>0,6</td>
</tr>
<tr>
<td>Election Observation Missions (EOMs)</td>
<td>21</td>
<td>18</td>
<td>16</td>
<td>18</td>
<td>0,19%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Partnership Instrument (PI)</td>
<td>39</td>
<td>34</td>
<td>30</td>
<td>35</td>
<td>6,43%</td>
<td>2</td>
<td>1,34%</td>
<td>0,5</td>
</tr>
<tr>
<td>Press &amp; Info</td>
<td>9</td>
<td>8</td>
<td>7</td>
<td>8</td>
<td>0,50%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Administrative expenditure</td>
<td>8</td>
<td>7</td>
<td>6</td>
<td>7</td>
<td>0,50%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cross sub-delegations</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>0,50%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>579</strong></td>
<td><strong>504</strong></td>
<td><strong>441</strong></td>
<td><strong>516</strong></td>
<td><strong>2,02%</strong></td>
<td><strong>10,4</strong></td>
<td><strong>0,30%</strong></td>
<td><strong>1,5</strong></td>
</tr>
</tbody>
</table>

Columns (3) and (4) - the amounts of new prefinancing and cleared prefinancing were distributed in proportion to payments made.

Column (8) - the recoveries and corrections were allocated in proportion to recoveries and corrections done over the last 3 years.
Cost-effectiveness and efficiency

The principle of efficiency concerns the best relationship between resources employed and results achieved. The principle of economy requires that the resources used by the institution in the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price. This section outlines the indicators used to monitor the efficiency of the control systems, including an overall assessment of the costs and (where possible) of the benefits of controls.

FPI conforms to Article 66(9) FR by quantifying as far as possible the costs of the resources and inputs required for carrying out its controls and their benefits in terms of the amount of errors and irregularities prevented, detected and corrected.

The total cost of controls for FPI\(^{27}\) is estimated at EUR 3,72 million, that is \(0.64\%\) of operational payments executed in 2016 (EUR 583 million), which proves stability was achieved by FPI in terms of cost-effectiveness of controls (0.63\% in 2015).

<table>
<thead>
<tr>
<th></th>
<th>Cost of controls by management mode (EUR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td>Direct grants</td>
<td>1.34</td>
</tr>
<tr>
<td>Direct procurement</td>
<td>1.16</td>
</tr>
<tr>
<td>Indirect</td>
<td>1.22</td>
</tr>
<tr>
<td>Total</td>
<td>3.72</td>
</tr>
</tbody>
</table>

Efficiency indicators

**Time-to-pay:** In 2016, the average number of days to make a payment was 29, which represents a slight decrease compared to 2015 (30 days). The percentage of invoices paid on time increased significantly compared to 2015 (88\% compared to 81\%).

**Amounts to disburse** (*reste à liquider*): The RAL at the end of the year increased by 44 million, an increase of 3\% compared to the RAL at the end of 2015. This increase is linked to the new PI instrument which started in 2014 and for which the duration of the activities is longer than the other Instruments.

**Note:** *Time to grant (Art.128 (2)) FR*: this requirement does not currently apply to FPI as the greater part of its activities is not implemented by open calls for proposals/ grants\(^{28}\).

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\(^{27}\) Estimate based on the cost of control missions performed by staff, external audits and cost of staff (FTEs) involved in controls and supervision in 2016

\(^{28}\) Art. 190(1)(a)
Control effectiveness: ex post controls

<table>
<thead>
<tr>
<th>Instrument contributing to</th>
<th>Common Foreign and Security Policy (CFSP)</th>
<th>Partnership Instrument (PI)</th>
<th>Election Observation Missions (EOMs)</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) Ineligible expenditure detected by ex-post controls</td>
<td>778 807</td>
<td>5 962</td>
<td>5 930</td>
<td>24 039</td>
</tr>
<tr>
<td>(B) Total cost of audit</td>
<td>138 655</td>
<td>124 197</td>
<td>40 773</td>
<td>26 853</td>
</tr>
<tr>
<td>(C) Average cost of audit (total audit cost/number of audit assignments)</td>
<td>13 866</td>
<td>15 525</td>
<td>8 155</td>
<td>13 426</td>
</tr>
<tr>
<td>(D) Efficiency ratio ((A)/(B))</td>
<td>5,62</td>
<td>0,05</td>
<td>0,15</td>
<td>0,90</td>
</tr>
</tbody>
</table>

FPI has quantified the cost of the resources required for carrying out the controls described in the AAR and estimates, insofar as possible, their benefits in terms of the amount of errors detected by these controls. Overall, during the reporting year the controls carried out by FPI in the framework of its annual ex post control plan have a cost-effectiveness rate of 2.4729.

The low efficiency ratio for CFSP is due to the specific risk profile of the CFSP operations: the controls strategy adopted by the AOD is to audit 100% of the operations. It is considered justified to maintain this high control environment.

In addition, there are a number of non-quantifiable benefits resulting from the controls such as deterrent effects, efficiency gains, and better value for money, system improvements and compliance with regulatory provisions. Furthermore, FPI considers that the necessity of these controls is undeniable, as the totality of the appropriations would be at risk in case they would not be in place. These non-quantifiable benefits are not directly reflected in our conclusion on cost-effectiveness (ratio benefits/costs).

FPI already uses the possibility foreseen in FR art 66.2 to differentiate the frequency and/or the intensity of the DG's controls – in view of the different risk-profiles among its current and future transactions and of the cost-effectiveness of its existing and any alternative controls – by redirecting the control resources towards more stringent controls where needed while having leaner and less burdensome controls where appropriate. With this objective in mind, the revision of the financial circuits and deployment of staff to the regional teams in the delegations was proposed 2016 as described in section 2.1.1 and 2.2 of this report respectively. FPI will further adapt the risk profiles in its control strategy based on results of controls.

Control efficiency and cost-effectiveness - Conclusion

Based on an assessment of the most relevant key indicators and control results, FPI has assessed the cost-effectiveness and the efficiency of the control system and reached a positive conclusion.

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29 EUR 2.47 of errors was found for every EUR spent (EUR 0.4 was spent for every euro of detected error).
Fraud prevention and detection

FPI has developed and implemented its own Anti-Fraud Strategy (AFS) since 2014, elaborated on the basis of the methodology provided by OLAF. The AFS of FPI is updated every 2 years in agreement with all the directorates-general of the external relations family (DEVCO, FPI, NEAR) and the EEAS under the common "Anti-fraud Strategy for EU External Relations 2014/2015".

a) Detection:

In 2016, the total number of ongoing cases is four (compared to five in the previous AAR). Two investigations were closed end of December 2015. Three investigations from 2013, 2014 and 2015, respectively, remain open. A new investigation was open end of December 2016.

The investigations from 2013 and 2014 concern the Instrument for Stability (IfS) and the one from 2015 concerns the Common Foreign and Security Policy (CFSP). The case reported in 2016 concerns the Instrument contributing to Stability and Peace (IcSP).

b) Prevention:

FPI developed its anti-fraud strategy as foreseen in the Commission’s overall strategy. To improve capacities of FPI staff to effectively tackle internal and external fraud, in 2014, all staff had already received instructions and information on procedures to be followed in cases of irregularity or fraud in FPI. In 2015, the AFS priority was the specific training of the staff of FPI in the headquarters (HQ), in the delegations and in the CFSP missions and EU Special Representatives’ offices. The objective of 80% of FPI staff attending the AF trainings had been exceeded in 2015 further to the organization of seven anti-fraud training courses (i.e. four sessions for the whole FPI staff in the HQ and three sessions for the staff of the CFSP missions and EU Special Representatives’ offices).

In this context, on the occasion of the Partnership Instrument and IcSP Seminars of June 2016, a specific anti-fraud awareness session was organized for FPI staff of the Delegations, in line with Objective 1 (Prevention Priority) of FPI Anti-fraud Action Plan of FPI AFS.

All in all, 170 FPI staff members have so far attended these AF training courses and information sessions.

c) Follow-up:

In 2016, FPI launched an exercise of follow-up of the implementation of the AFS in FPI headquarters, Delegations, CSDP Missions and EU Special Representatives.

Concerning the CSDP Missions and EUSRs, a questionnaire was sent in May 2016 to monitor the state-of-progress of their specific AFS. Moreover, under their AFS, in 2016 FPI prepared the following manuals related to internal control and anti-fraud management:

- Procurement Rules for CFSP Actions.
- Guidance for CFSP Missions on the Analysis of Inherent Risks for CFSP Actions.
- Guidelines on Ethics and Integrity for CFSP Missions.

Generally, to improve reaction to suspected fraud and to assure the timeliness in recovering sums unduly spent, FPI worked in close cooperation with OLAF on ongoing cases and replied quickly to information requests from OLAF investigators. In July 2016, FPI Director/Head of
Service met with OLAF Director-General to make stock of the state-of-progress of the open investigations over FPI files.

Relevant information received by FPI was proactively and timely shared with OLAF. In parallel, FPI also provided information to OLAF exercises of monitoring the implementation by FPI of the (administrative and financial) recommendations following OLAF investigations (i.e. FPI implementation of recoveries; FPI request to OLAF for transmittal of a case to the national authorities).

As usual, all new grant beneficiaries and procurement contractors were systematically checked whether they were signalled in the newly set up Early Detection and Exclusion System (EDES). OLAF cases are reviewed several times a year and follow-up measures, if appropriate, are taken in order to speed up the closure. Still, controls aimed at preventing and detecting fraud are essentially the same as those intended to ensure the legality and regularity of the transactions and prevent unintentional errors.

Finally, in addition to the annual ex-post control plan, when FPI identifies contracts/granted projects at a higher risk of fraud, it subjects them to an external audit with specific objectives.

On the occasion of a meeting with OLAF.D2 (Anti-fraud Policy) held in October 2016, FPI presented the results of its AFS and requested for advice to update it.

Further to the AFS follow-up exercise and to the meeting with OLAF.D2, the AFS of FPI will be updated in 2017.

d) Access to documents:

In 2016, FPI handled 79 initial applications for access to documents. FPI disclosed the requested documents in 46 cases, partially disclosed them in 2 cases and refused access in 31 cases (29 of them in the context of a set of initial applications for documents in the area of sanctions and restrictive measures under sensitive treatment). None of the replies with partial access or refusal was the subject of a confirmatory application to the SG. FPI sent contributions to 3 requests for access to documents handled by other Directorates-General and Services of the Commission.

e) European Ombudsman:

In 2016, the Ombudsman closed 2 investigations of complaints against the FPI (Ref. 2013/1688 and 625/2015/KM, respectively).

Conclusion

Based on the indicators provided above on prevention and detection of fraud, training of staff and regular feedback received from OLAF on on-going fraud cases as well as advice on the FPI's effectiveness of Anti-Fraud Strategy, FPI concludes that it has sufficient assurance on the achievement of this internal control objective.
2.1.2 Audit observations and recommendations

This section reports and assesses the observations, opinions and conclusions reported by auditors in their reports as well as the limited conclusion of the Internal Auditor on the state of control, which could have a material impact on the achievement of the internal control objectives, and therefore on assurance, together with any management measures taken in response to the audit recommendations.

European Court of Auditors (ECA)

At the time of drafting the Annual Activity Report, there were no final findings from the Court of Auditors regarding the 2016 DAS (Statement of Assurance). The 2015 Annual Report included no recommendations for FPI. The only open recommendation from prior Annual Reports (DAS 2013) refers to the pillar assessment of the CFSP missions. For the most recent state-of-play regarding this recommendation, please refer to section 2.1.1.

As regards previous findings resulting from audits of the Court of Auditors, FPI continues to work towards all CFSP missions being accredited in accordance with the “six-pillar assessments”. Detailed information on the current state of play regarding the implementation of this recommendation is presented in section 2.1.1.

Internal Audit Service (IAS)

Conclusion of the Internal Auditor on the state of internal control in FPI

The IAS concluded that the internal control systems audited are working satisfactorily with the exception of one recommendation which was partially rejected and for which FPI is assuming the risk considered by the auditors as high. The recommendation was issued following Control Strategy audit performed by the IAS in 2014 and relates to better documenting the decision-making process when issuing recovery orders in CFSP area.

IAS audits

In 2016 the Internal Audit Service carried out an audit of Instrument contributing to Stability and Peace, for which the final audit report was issued on 26 January 2017. The three recommendations (all of them classified as important by the IAS) addressed to FPI focus on swiftness of launching crisis response actions, guidance and supervision of the EU delegations implementing IcSP actions and the relevance of objectives and indicators at project level. FPI accepted all the recommendations and delivered the action plan to address them.

As far as the IAS audit on Control Strategy (2014) is concerned: the three partially implemented recommendations downgraded from ‘Very Important’ to ‘Important’ as a result of the IAS follow-up audit remain open. FPI is working on implementing the remaining measures and the process is significantly advanced, in particular in case of recommendations relating to the setup of the Mission Support Platform for CFSP operations, which will become fully staffed and operational in early 2017. The status of the open recommendations does not have a material impact on the assurance in the AAR 2016.

In 2016, the internal audit service (IAS) conducted a second follow-up of the "Audit on the effectiveness of the management of the Industrialized Countries Instrument (ICI) by FPI HQ and the Tokyo and Washington EU Delegations" carried out by the Internal Audit Department (IAC) of DG DEVCO in 2014. As a result of that follow-up, taking into account the actions taken by FPI, the IAS confirmed that all recommendations had been implemented and closed the audit.
Conclusion

In 2016, there were no critical findings and recommendations (and a limited number of findings overall) related to FPI from audits conducted by the Commission Internal Audit Service (IAS) and the European Court of Auditors (ECA). As regards the implementation of recommendations issued in previous years, the relevant action plans are considered to be fully implemented.
2.1.3 Assessment of the effectiveness of the internal control systems

The Commission has adopted a set of internal control standards, based on international good practice, aimed to ensure the achievement of policy and operational objectives. In addition, as regards financial management, compliance with these standards is a compulsory requirement.

FPI has put in place the organisational structure and the internal control systems suited to the achievement of the policy and control objectives, in accordance with the standards and having due regard to the risks associated with the environment in which it operates.

Regarding the effectiveness of internal control and financial management, FPI considers that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

Concerning the overall state of the internal control system, FPI complies with the three assessment criteria for effectiveness; i.e. (a) staff having the required knowledge and skills, (b) systems and procedures designed and implemented to manage the key risks effectively, and (c) no instances of ineffective controls that have exposed the FPI to its key risks. In addition, further enhancing the effectiveness of FPI control arrangements in place, by *inter alia* taking into account any control weaknesses reported and exceptions recorded, is an on-going effort in line with the principle of continuous improvement of management procedures.

FPI performed a general assessment of effectiveness of internal control standards (ICS) for the purposes of this report, involving a representative sample of the staff concerned. Based on experience and available information, it assessed whether systems provide a reasonable assurance that the ICS are achieving their goals and working as intended. Results indicate an effectiveness rate of 84.8%, which compares to the level achieved in 2015 (an effectiveness rate of 84.9%). The results show that measures taken so far on ICS 11 (Document Management) need to be continued in 2017. Detailed comments delivered during internal control assessment exercise point to the need to enhance the skills of staff in retrieving documents in ARES. These needs will be taken into account in 2017 to address the weakness identified under ICS 11.

### ICSs in FPI's Delegations: Canada, Japan, Korea, United States

The assessment of effectiveness of internal control standards for the delegations with significant FPI's presence under the Partnership Instrument was performed using the e-DAS tool provided by the EEAS.

Some areas for improvement were identified in relation to ICS 11 Document Management with no potential impact on assurance.

Lack of compliance with Art. 60 of the Financial Regulations ("six pillars assessment") of some of the CFSP missions might point to the risk of potential internal control issues in this budget chapter. In order to provide assurance in these cases, FPI relies on its ex ante and ex post controls and monitoring as well as the specific mitigating measures as described in section 2.1.1 of this report.
In addition, for the purpose of assessment of effectiveness of the internal control systems, the AOSD reports of the EU Delegations, as well as the reports for cross-sub-delegated activities and activities managed under service level agreements were analysed. No issues with potential impact on assurance were identified.

In light of the results of its self-assessment of internal control carried out and for the purposes of this report (ICS 15 – Assessment of internal control systems); in light of the implementation of action plans relative to the recommendations of the different audit bodies; the results of controls; the risk analysis performed in the context of the Management Plan; and the management knowledge gained from daily operations, effectiveness of the control standards and the documentation thereof was maintained in 2016. Measures will be taken in 2017 to remedy any remaining weaknesses, in particular in light of the reservation introduced in the AAR 2014 and maintained in 2016. Particular attention will also be paid to the issue of pillar assessment of CFSP missions and efforts will be continued towards full compliance of all the missions with Art. 60 of the Financial Regulation by the end of 2017.

Conclusion

FPI has assessed the internal control systems during the reporting year and has concluded that the internal control standards are implemented and functioning as intended. None of the internal control issues described above, in Management’s opinion, has any potential impact on the assurance. Still, the areas for improvement identified under ICS 11 will be addressed by additional measures in 2017.
2.1.4 Conclusions as regards assurance

This section reviews the assessment of the elements reported above (in Sections 2.1.1, 2.1.2 and 2.1.3) and draws conclusions supporting the declaration of assurance and whether it should be qualified with reservations.

The information reported in Section 2.1 stems from the results of management and auditor monitoring contained in the reports listed. These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a comprehensive coverage of the budget delegated to the Head of Service of FPI.

**Functioning accountability chain**

The accountability and reporting chain in FPI is organised as a pyramid through which the statements of assurance signed by each Head of Delegation set the basis of the assurance provided by the other AOSDs at the upper levels of the pyramid. For 2016 45 AOSD reports by the Heads of Delegations were received and analysed at HQ and 5 AOSD reports by Heads of Units in FPI HQ. The reports do not point to any issues which could have potential material impact on the assurance.

**Full coverage of expenditure by the control mechanisms**

The control mechanisms in place cover the entire budget managed by FPI. No part of the budget is left out of the control strategy. As regards detective and corrective elements in the control strategy, external audits cover a significant amount of the funding managed by FPI. They contribute therefore substantially to assurance as regards legality and regularity. Ex-ante transactional checks of 100% of payments add up as well to assurance provided.

**IAS limited conclusion**

IAS concluded that the internal control systems audited are working satisfactorily. Particular attention should be given to one recommendation which was partially rejected and for which FPI is assuming the residual risk which was considered by the auditors high.

**Legality & regularity based on RER results**

While the multiannual residual error rate (RER) for 2014-2016 is below 2% (1.9%) for the whole budget of FPI, the RER under the budget chapter 19.03 (CFSP) and 19.05 (ICI / PI) is 2.04% and 5.89% respectively. Therefore the Head of Service has decided to maintain a reservation in the current report, as follows:

The reservation linked to the errors found in NPD projects (budget chapter 19.03), as described in section 2, is maintained. However, it should be noted that the following remedial actions have been taken, which will be further pursued and complemented in 2017: kick-off meetings with the entities implementing NPD actions; monitoring missions by FPI staff within 3 months of the start-up of an action; increased participation of financial and/or procurement staff in monitoring missions as necessary; the conduct of regular pillar assessments by FPI staff. Member States will be informed of the mitigating measures taken in order to address financial weaknesses encountered with certain implementing partners.
In addition, the reservation included in this report also covers budget chapter 19.05, Instrument for cooperation with Industrialised Countries, due to the results highlighted in section 2. However, the follow up actions that can be taken for these errors are limited, as the programme was part of the former MFF (2007-2013) and is closed.

For detailed factual information on actions taken to address the weaknesses in both instruments please refer to Annex 10. This reservation has no impact on the other FPI activities.

FPI’s assessment on legality and regularity for CFSP in the area of non-proliferation projects (which represents 2% of the FPI’s total budget) returns a level of detected error which appears to be "persistently high" over the years in terms of potential financial impact. Given the inherent risk related to a key modality of the programme mentioned below, also the residual error is expected to remain above 2%.

It is the Council, and not the Commission who selects the entities in charge of implementing actions in the field of the non-proliferation of weapons of mass destruction and disarmament. In some cases, those entities do not have either sufficient resources or sound structures to manage EU funds. In consequence, there is a risk of finding a significant amount of ineligible costs from the funds managed by those entities.

FPI has implemented all possible suitable ex-ante and ex-post controls, to the extent that they remain cost-effective and do not affect the other policy objectives nor abandon the financial scheme.

Therefore, under the prevailing risk environment and from a managerial point of view, FPI’s AOD can sign the Declaration – even with a reservation for programme budget chapter CFSP (NPD projects).

A favourable assessment of control efficiency and cost-effectiveness

The total cost of controls for 2016 in FPI is estimated at EUR 3.72 million and represents 0.64% of total payments made by FPI in 2016. Taking into account the risky environment in which FPI operates, we consider the total cost of control as reasonable.

Effective implementation of the Internal Control Standards

Almost all requirements are considered to be effectively implemented, with the exception of some areas for improvement of ICS 11, which will be tackled in 2017.

Anti-Fraud Strategy in place.

The Anti-Fraud Strategy of FPI is in place and functioning as intended. The next revision/update of the Anti-Fraud Strategy is foreseen for 2017.

Overall Conclusion

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Head of Service, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance, albeit qualified by a reservation concerning the error rate.
2.1.5 Declaration of Assurance and reservations
DECLARATION OF ASSURANCE

I, the undersigned,

Acting Head of the Service for Foreign Policy Instruments

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view\(^\text{30}\).

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

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex-post controls, the limited conclusion of the Internal Auditor on the state of control for years prior to the year of this declaration.

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

However the following reservation should be noted: reservation linked to the material multi-annual error rate for two budget lines: CFSP and ICI/PI.

Brussels, 31 March 2017

(signed)

Robert KRENZEL

\(^{30}\) True and fair in this context means a reliable, complete and correct view on the state of affairs in the Service
## Reservation

<table>
<thead>
<tr>
<th>DG</th>
<th>Service for Foreign Policy Instruments (FPI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title of the reservation, including its scope</td>
<td>Reservation concerning the error rate for CFSP and ICI being above 2%</td>
</tr>
<tr>
<td>Domain</td>
<td>Direct management mode – grants</td>
</tr>
<tr>
<td>Programme and amount affected (=&quot;scope&quot;)</td>
<td>19.03 CFSP (non-proliferation and disarmament projects - NPD)</td>
</tr>
<tr>
<td></td>
<td>Payments made in 2016: EUR 233 million (NPD: EUR 11.3 million)</td>
</tr>
<tr>
<td></td>
<td>19.05 (Instrument for Cooperation with Industrialised Countries - ICI)</td>
</tr>
<tr>
<td>Reason for the reservation</td>
<td>Legality and regularity: occurrence of errors at beneficiary level in the underlying transactions; multi-annual RER above 2%.</td>
</tr>
<tr>
<td>Materiality criterion/criteria</td>
<td>Legality and regularity criterion: the materiality criterion is the multi-annual residual error rate, i.e. the level of errors which remain undetected and uncorrected by the end of the management cycle. The control objective is to ensure that the residual error rate on the overall population is below 2% at the end of the management cycle.</td>
</tr>
<tr>
<td>Quantification of the impact (= actual exposure&quot;)</td>
<td>The estimated actual exposure for the two activities as a whole is EUR 7 million for 2016.</td>
</tr>
<tr>
<td>Impact on the assurance</td>
<td>Legality and regularity of the affected transactions. The assurance is affected by the quantified budgetary impact (EUR 7 million at risk for the activities as a whole), which in overall terms remains quite limited compared to the total FPI payments made in 2016. The reservation has no impact on the remainder of the FPI budget. The residual error rate overall for FPI is below 2% (1.9%).</td>
</tr>
<tr>
<td>Responsibility for the weakness</td>
<td>Implementing partners/beneficiaries of grants</td>
</tr>
<tr>
<td>Responsibility for the corrective action</td>
<td>As this is a recurring reservation, which for the first time was made in the AAR 2015 (and for CFSP in the AAR 2014), the action plan below was set up in 2015. The ex-post control results for 2016 alone indicate that the action plan originally proposed is on-track as results are well below the 2% threshold. FPI will continue with the implementation of the actions in 2017.</td>
</tr>
<tr>
<td></td>
<td>The main elements of the action plan set up by FPI for correcting the weakness for NPD and ICI/PI are:</td>
</tr>
<tr>
<td></td>
<td>1. Awareness-raising on the most common types of errors and the ways to avoid them: organise info sessions (kick off meetings) with key beneficiaries to raise awareness on applicable contractual provisions and regulations and to insist on the negative impact at the end of the project if financial management is taken lightly. For ICSP and PI, the HQ should provide support to the Delegations to help them with training materials and possible participation to the info sessions on the spot.</td>
</tr>
<tr>
<td></td>
<td>2. Reinforcing the financial/control skills at HQ and in Delegations.</td>
</tr>
</tbody>
</table>
Strengthening the weak FPI financial circuits in Delegations (through the setting up of regional teams)

3. Reinforcing the accountability of Delegations as to the monitoring of performance and the follow-up and corrective measures to errors identified by audits.

4. Increase **monitoring missions** (especially to NGOs beneficiaries) with a real focus on financial aspects.

5. Increase **ex-ante audits** (special purpose audits) to ensure that the expenditure presented on the final financial statement by the beneficiary is free of irregularities before the final payment is issued (20,000/25,000 euros per audit).

6. Further improvements on the quality of mandatory expenditure verifications: check the professional capacity of local auditors proposed by beneficiaries to perform **expenditure verifications**. The Commission has the possibility to reject and ask to change to another auditor.

7. Develop a brief **user guide** focused on financial matters to the attention of beneficiaries of grant agreements.

8. Ask beneficiaries to provide (a sample of) **supporting documents** when they submit a financial report.

9. Identify synergies between **supervision missions** and potential monitoring missions to beneficiaries with a focus on financial aspects (i.e. combine the two where feasible).

10. Increase financial professional capacity of beneficiaries with small structure by requiring them to **have/hire professional financial staff** to ensure proper financial reporting.

11. For non-proliferation and disarmament projects, Member States will be informed of the mitigating measures taken in order to address financial weaknesses encountered with certain implementing partners.
2.2 Other organisational management dimensions

Example(s) of initiatives to improve economy and efficiency of financial and non-financial activities of the DG

FPI Results Framework

In line with the policy focus on results outlined in the 'Working Methods of the Commission by President Juncker in 2014 and the ambitions of Better Regulation and of BFOR (Budget Focused on Results) launched by VP Georgieva in 2015, in June 2016 FPI decided to develop its own Results Framework to show in a clear and understandable way how it performs in achieving its policy objectives (SPP/ABM). A key concern was to demonstrate how FPI instruments contribute to implementing EU policies in external action under the Commission’s political priority 9 'EU as a global actor' and how individual operations – IcSP, CFSP, PI and EOM – contribute to context transformation and to assisting third countries and international partners preserve peace, prevent conflicts and strengthen international security (Article 21 of the Treaty on European Union). An inter-Unit Task Force was convened in September to draft an FPI Manual to accompany and support the change process and to ensure that the Results Framework was fully adapted to the OPSYS architecture. Upstream consultations with international partners (UN organisations, World Bank and United States Institute for Peace) took place in October. By year end, 80% of indicators (output, outcome, impact) had been identified and 60% of the Manual completed. This work will continue in 2017.

In 2016, IcSP developed a new results-oriented reporting system which encourages greater focus on analysis of operational outcomes and impacts as well as a Manual of Outcome Indicators while the PI concluded a study to develop indicators to better assess and monitor the first phase of the PI implementation. All of the above initiatives will feed into the FPI Results Framework as the common indicators identified will contribute to greater definition and improved design of FPI interventions as well as overall policy effectiveness in the medium term.

Indicators under the EU Gender Action Plan

While not related to organisational management per se, it is important to note that FPI contributed to the first reporting exercise under the EU Gender Action Plan 2016-2020 for EU external relations (GAP) and in the process, it established a clear set of gender-based indicators for each instrument and for the CFSP as well as a clear baseline for future reporting. In 2016, 50 % of CSDP missions were led by a woman and 52.7% of technical experts deployed in Electoral Observation Missions were women. In addition, 100% of EOM actions contracted in 2016 achieved a score of G-Marker 1 while the corresponding scores for IcSP and PI for 2016 were respectively 51% and 2.4 %. IcSP performance in terms of the gender coverage of its indicators was particularly commended in the Commission’ Draft Budget for 2017 where it noted that all actions in 2016 – non-programmable and programmable - had fully integrated gender with key priority given to delivering on EU commitments on Women, Peace and Security (WPS). This is a very good basis to track the gender effectiveness of FPI operations in the

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32 Gender-marker is an OECD/DAC a marker which attributes a score to projects based on how significant is their gender dimension, see footnote 31 above

coming years

**Pooling of resources and central stocking of equipment for CSDP missions**

On the basis of an agreement reached with CPCC in December 2015, FPI began work on the establishment of a mission support platform (MSP) with staff from FPI and EEAS which will provide centralised administrative services to CSDP missions, leading to economies of scale and reducing the replication of the same functions in all missions. Work during 2016 focused on identifying common tools and procedures for missions as well as recruitment of specialised staff based on detailed technical profiles. The MSP will start operations in 2017.

The process to establish a large-scale logistical platform/warehouse to provide all CSDP missions with rapid access to essential equipment and logistical services commenced in 2016. Terms of reference for the identification of a suitable contractor to implement the logistical platform were finalised, leaving the selection and start of operations for the first half of 2017. Greater efficiencies in terms of CSDP deployment rates can be expected to follow.

2.2.1 Human resource management

**Creation of FPI regional teams (IcSP and PI)**

In order to improve the effectiveness and the efficiency of its global operations, in May 2016 FPI decided to create 5 regional teams in 5 key Delegations – Dakar, Nairobi, Bangkok, Brasilia and Beirut, covering respectively the regions of West Africa, East Africa, Asia-Pacific, the Americas and the Middle East. The objective is to create autonomous FPI sections in these Delegations (including financial circuits) with a regional dimension, ensuring effective, rapid and professional implementation of FPI-managed instruments. This reorganisation – which runs into 2017 – will permit close cooperation with other Commission services, in particular DGs DEVCO, NEAR and TRADE both at Headquarters and in Delegations.

A key concern was to improve efficiency to deliver better services and to do "more with less" as FPI budgets and mandates are expanding while its staff resources are shrinking. In addition, the current organisation of FPI operations in various Delegations does not allow the Authorising Officer to give assurance that IcSP and PI funds are being managed according to the highest standards in terms of regularity and efficiency. Finally, the very nature of FPI instruments – IcSP and PI – led to an assessment that an organisation of staff resources should progressively take the form of Regional Teams as this would enable FPI to better respond to conflicts and the complexities of global challenges. In the medium-term, an overall improvement of policy effectiveness would thereby be achieved.

**FPI re-organization**

The decision to create FPI regional teams in 5 Delegations entailed significant changes to the Service's internal organisation to free-up the necessary resources (10 establishment posts). This reorganisation took place on 16 June 2016 and included the centralisation of all financial management in one expanded unit - FPI 1 - and a full revision of financial circuits and corresponding changes to job descriptions of 38 staff. The reorganisation was successfully implemented by October with no adverse impact on FPI operations. In addition, to ensure that the 10 officials’ posts necessary to establish the 5 regional teams were made available without increasing the total number of FPI staff, colleagues in Headquarters were encouraged to
consider moving to Delegations with their posts. Additional economies were achieved through centralising contract, finance and audit functions in FPI 1 thereby enhancing the regularity and efficiency of internal controls.

**Female representation in middle management**

Until June 2016, FPI continuously had one female middle manager (out of 5 in total) representing a rate of 20%. The female manager then left which brought the rate down to 0%. It will therefore be more difficult than expected for FPI to reach the goal of 40% female middle managers in the short term. By the end of 2017, FPI would like to achieve again the level of 20% female middle managers (1 out of 5 HOU posts).

The room for manoeuvre within FPI is relatively limited because of its small size (only 5 units). In addition, FPI needs very specialized profiles, mostly dealing with crisis management and security policy issues. Unlike other services, FPI has only one unit of a more horizontal nature. FPI will strive in the coming years to reach the goal set by the Commission of 40% female middle managers by the year 2019.

Because of the specificities of its instruments mainly related to crisis response, FPI staff needs to build up a specialised expertise. In this context, FPI invested both in terms of recruitment and in terms of internal training, to adapt its workforce to these requirements. Three days of operations-focused training for the IcSP and the PI (FPI Training Days) took place in June. This approach will continue in 2017.

**2016 Staff Survey**

Following the latest Staff Survey in 2016 to which 60% of FPI staff responded, indicating that only 55% of respondents felt that the Commission cares about their well-being, FPI will develop an action plan covering improvements with regard to career management, communication to staff on management decisions and well-being (work conditions in Delegations and work-life balance). A more thorough analysis will be made at the beginning of 2017 when dedicated human resources staff will be made available to FPI for the Business Correspondent (BC). As some of the staff expectations, e.g. relating to career development, need to be addressed at corporate level, the BC will work closely with the new Administrative Management Centre (AMC) to develop an appropriate action plan.

**2.2.2 Better regulation (only for DGs managing regulatory acquis)**

Not applicable for FPI.

**2.2.3 Information management aspects**

Procedures were in place during 2016 to follow up on the correct and timely attribution and filing of documents. As a first priority, FPI gave attention to ensuring business continuity to secure the effective delivery of its operations and to guarantee sound document management. The very modest improvements to management of information during 2016 and in particular, the decrease in the number of files shared across services – falling from 23.77% to 17.55% -
can be attributed to the absence of a document management officer in FPI.

Following the centralisation of finance and contract functions in one Unit in June 2016, FPI pursued an archive reorganisation project in order to ensure efficient and transparent management of all contract and financial information as a support to its operations. It will also facilitate internal and external audits by easy document location as well as allow FPI to meet its legal obligations to retain information on matters for which it is accountable. The final phase of the archive reorganisation – an inventory of all closed files for all FPI-managed instruments – and the drafting of Guidelines of the Handling of Financial Documents will continue in 2017.

### 2.2.4 External communication activities

Most of the information and external communication activities were carried out by the EEAS, both in Headquarters and in Delegations, in line with the Service Level Agreement (SLA) concluded between FPI and EEAS in 2013. Activities concerned mainly the annual press and information budgets for some 135 EU Delegations throughout the world to implement actions that suit the bilateral environment and also act to reinforce the image of the EU as a global player.

In 2016, FPI continued to enhance the quality and visibility of the European Union Visitors Programme (EUVP) a long-standing and unique inter-institutional agreement between the Commission and the European Parliament on increasing knowledge of the EU among leaders and emerging leader and opinion-formers from third countries via structural information visits to EU institutions and EU Member States. EUVP organized 113 study visits, better tailored to participants' interests as well as to EU interlocutors needs. Participants – mostly young leaders - from third countries were regularly received by Members of the European Parliament, high-level officials from Commissioners' Cabinets and from other EU institutions.

FPI also financed TV transmission on the Euronews channel in the Farsi language which is implemented through a framework partnership agreement with Euronews, managed by DG CONNECT. During 2016, discussions took place with Euronews on the gradual switch over from a satellite-based to a digital-based transmission with view to extending the reach of transmission in Farsi to a larger population group in Iran during the course of 2017. During the third quarter of 2016, Euronews registered 1.7 million visits to its digital Farsi services which proved to be 6th most popular language of the 13 language versions provided.

The information and communication activities of FPI itself were limited to the regular updating and maintenance of the FPI website.

Further details are provided in Annex 2.