

# 2019

## **Report of the European Court of Auditors on the performance of the EU budget – Status at the end of 2019**



EUROPEAN  
COURT  
OF AUDITORS

EN

EUROPEAN COURT OF AUDITORS  
12, rue Alcide De Gasperi  
1615 Luxembourg  
LUXEMBOURG

Tel. +352 4398-1  
Enquiries: [eca.europa.eu/en/Pages/ContactForm.asp](http://eca.europa.eu/en/Pages/ContactForm.asp)  
Website: [eca.europa.eu](http://eca.europa.eu)  
Twitter: @EUAuditors

More information on the European Union is available on the internet (<http://europa.eu>).

Luxembourg: Publications Office of the European Union, 2020

PDF ISBN 978-92-847-4771-9 ISSN 2600-1314 doi:10.2865/663447 QJ-AK-20-001-EN-N

Pursuant to Article 287(1) and (4) of the TFEU, Article 258 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 and Article 43 of Council Regulation (EU) 2018/1877 of 26 November 2018 on the financial regulation applicable to the 11th European Development Fund, and repealing Regulation (EU) 2015/323

**the Court of Auditors of the European Union, at its meeting  
of 9 November 2020, adopted its**

## **Report on the performance of the EU budget – Status at the end of 2019**

The report, together with the institutions' replies to the Court's observations, have been sent to the authorities responsible for giving discharge and to the other institutions.

The Members of the Court of Auditors are:

Klaus-Heiner LEHNE (President), Ladislav BALKO, Lazaros S. LAZAROU, Pietro RUSSO,  
Baudilio TOMÉ MUGURUZA, Iliana IVANOVA, Alex BRENNINKMEIJER,  
Nikolaos MILIONIS, Bettina JAKOBSEN, Samo JEREB, Jan GREGOR, Mihails KOZLOVS,  
Rimantas ŠADŽIUS, Leo BRINCAT, João FIGUEIREDO, Juhan PARTS, Ildikó GÁLL-PELCZ,  
Eva LINDSTRÖM, Tony MURPHY, Hannu TAKKULA, Annemie TURTELBOOM,  
Viorel ȘTEFAN, Ivana MALETIĆ, Francois-Roger CAZALA, Joëlle ELVINGER,  
Helga BERGER

# Contents

	Page
<b>Report of the European Court of Auditors on the performance of the EU budget – Status at the end of 2019</b>	<b>5</b>
<b>Institutions' replies to the Report of the European Court of Auditors on the performance of the EU budget – Status at the end of 2019</b>	<b>289</b>



**Report of the European Court of Auditors  
on the performance of the EU budget –  
Status at the end of 2019**

# Contents

	<b>Page</b>
<b>General introduction</b>	<b>7</b>
<b>Chapter 1      Performance framework</b>	<b>9</b>
<b>Chapter 2      Competitiveness for Growth and Jobs</b>	<b>44</b>
<b>Chapter 3      Economic, social and territorial cohesion</b>	<b>85</b>
<b>Chapter 4      Natural resources</b>	<b>123</b>
<b>Chapter 5      Security and Citizenship</b>	<b>158</b>
<b>Chapter 6      Global Europe</b>	<b>191</b>
<b>Chapter 7      Follow-up of recommendations</b>	<b>233</b>
<b>Appendix</b>	<b>281</b>
<b>Institutions' replies</b>	<b>289</b>

# General introduction

**0.1.** For the financial year 2019, we have split our annual report into two separate parts. This part covers the *performance* of spending *programmes* under the EU budget.

**0.2.** As a pilot exercise, we cover – for the first time in our annual reporting – the *Annual Management and Performance Report* (AMPR), which is the Commission’s main high-level performance report on the EU budget. Given that it is published at the end of June of year n+1, we were not able, in the past, to cover it in our annual report, which is normally published at the beginning of October.

**0.3.** This report is divided into seven chapters:

- o Chapter 1 covers an important aspect of the EU budget’s performance framework: the Commission’s high-level performance reporting through the AMPR and *programme statements*. We examined whether the Commission has a robust process for producing these reports and whether they give a clear, comprehensive and balanced overview of the performance of EU spending programmes. In order to get the answers, we analysed the relevant reports and Commission internal procedures and interviewed Commission staff.
- o In chapters 2 to 6 we examine the *results* achieved by EU programmes under, respectively, headings 1a, 1b, 2, 3 and 4 of the 2014-2020 *multiannual financial framework*. Our purpose was to establish how much relevant performance information is available and, based on that information, to assess how well EU spending programmes have actually performed. Out of 58 spending programmes, we selected nine which, taken together, represent around three quarters of all payments made up to the end of 2019 against the 2014-2020 multiannual financial framework *commitments*. We based our assessment on the performance information coming from the Commission (including the AMPR, performance indicators and evaluations) and – where available – recent findings from our own audit and review work. We checked the Commission’s performance information for plausibility and consistency with our findings, but we did not audit its reliability. When analysing the performance indicators, we classified them into *input/output/result* and *impact* indicators. We also assessed whether they were ‘on track’, i.e. whether they were likely to meet their targets. We also assessed

performance on a sample of *transactions* that we audited for the purposes of the *statement of assurance*.

- Chapter 7 presents the results of our follow-up of audit recommendations we made in special reports published in 2016.

**0.4.** We explain our approach and methodology for preparing this report in the **Appendix**.

**0.5.** We aim to present our observations in a clear and concise way. We cannot always avoid using terms specific to the EU, its policies and budget, or to accounting and auditing. On our website, we have published a glossary<sup>1</sup> with definitions and explanations of most of these specific terms. The terms defined in the glossary appear in italics when they first appear in each chapter.

**0.6.** We thank the Commission for their excellent cooperation in preparing this report. The Commission's replies to our observations are presented with this report.

---

<sup>1</sup> [https://www.eca.europa.eu/Lists/ECADocuments/GLOSSARY-AR\\_2019/GLOSSARY-AR\\_2019\\_EN.pdf](https://www.eca.europa.eu/Lists/ECADocuments/GLOSSARY-AR_2019/GLOSSARY-AR_2019_EN.pdf)

# Chapter 1

## Performance framework

# Contents

	Paragraph
<b>Introduction</b>	1.1.-1.4.
<b>Process for producing high-level performance reports</b>	1.5.-1.23.
<b>The performance reporting set-up continues to improve</b>	1.5.-1.7.
<b>The Commission has good procedures for preparing high-level performance reports</b>	1.8.-1.12.
<b>The Commission does not fully control or guarantee the reliability of performance information</b>	1.13.-1.23.
Monitoring data from Member States is not fully reliable, but the Commission takes steps to mitigate risks	1.14.-1.18.
The regulatory scrutiny board issues a negative opinion on 40 % of the evaluations it examines	1.19.-1.21.
The Commission does not clearly indicate the reliability of performance information in the AMPR and programme statements	1.22.-1.23.
<b>Quality of high-level performance reports</b>	1.24.-1.39.
<b>Despite progress, the quality of some performance indicators remains a challenge</b>	1.24.-1.25.
<b>Some progress in the reports' coverage of different sets of objectives</b>	1.26.-1.28.
<b>The AMPR and programme statements report more on effectiveness and less on efficiency and economy</b>	1.29.-1.30.
<b>The AMPR and the programme statements explain context and external factors to varying degrees</b>	1.31.-1.32.
<b>The Commission has started making systematic performance assessments</b>	1.33.-1.37.
The new performance assessments only partially cover specific objectives	1.35.
The performance sections do not always include detailed analysis	1.36.
Some conclusions on performance lack clarity	1.37.
<b>The reports are becoming more balanced</b>	1.38.-1.39.

## **Conclusions and recommendations**

**1.40.-1.48.**

## **Annexes**

### **Annex 1.1 Follow-up of recommendations**

# Introduction

**1.1.** The European Union (EU) implements its policies through a combination of spending *programmes* (such as the *Cohesion Fund* or *Horizon 2020*), financed or co-financed from the EU budget, and non-spending policy instruments (mainly regulation).

**1.2.** The current *multiannual financial framework* (MFF) spans seven years (from 2014 to 2020) and provides for 1 092 billion euros in spending. [Table 1.1](#) shows how this MFF is organised into five operational headings and 58 spending programmes. Each of these programmes has a number of objectives, set in legislation.

**Table 1.1 – The 2014-2020 MFF**

MFF heading	2014-2020 ceiling (billion euros)	Number of programmes
1a – Competitiveness	142,1	23
1b – Cohesion	371,4	4
2 – Natural resources	420,0	5
3 – Security and citizenship	17,7	11
4 – Global Europe	66,3	15
Administration and special instruments	74,7	N/A
GRAND TOTAL	1 092,2	58

Source: ECA, based on Commission data.

**1.3.** [Figure 1.1](#) shows the Commission’s high-level reports covering performance:

- The **Annual Management and Performance Report (AMPR)** is the Commission’s main report on the *performance* of the EU budget. It forms part of the Commission’s integrated financial and accountability reporting package<sup>1</sup> and is a key *input* for the annual *discharge* procedure. It is based on the annual activity

<sup>1</sup> Article 247 of the Financial Regulation. The integrated financial and accountability reporting package also includes: the *consolidated accounts*, long-term forecast of future inflows and outflows covering the next five years, the annual internal audit report and the report on the follow-up to the discharge.



reports of the Commission's directors-general and other *authorising officers* by delegation. It comprises two sections:

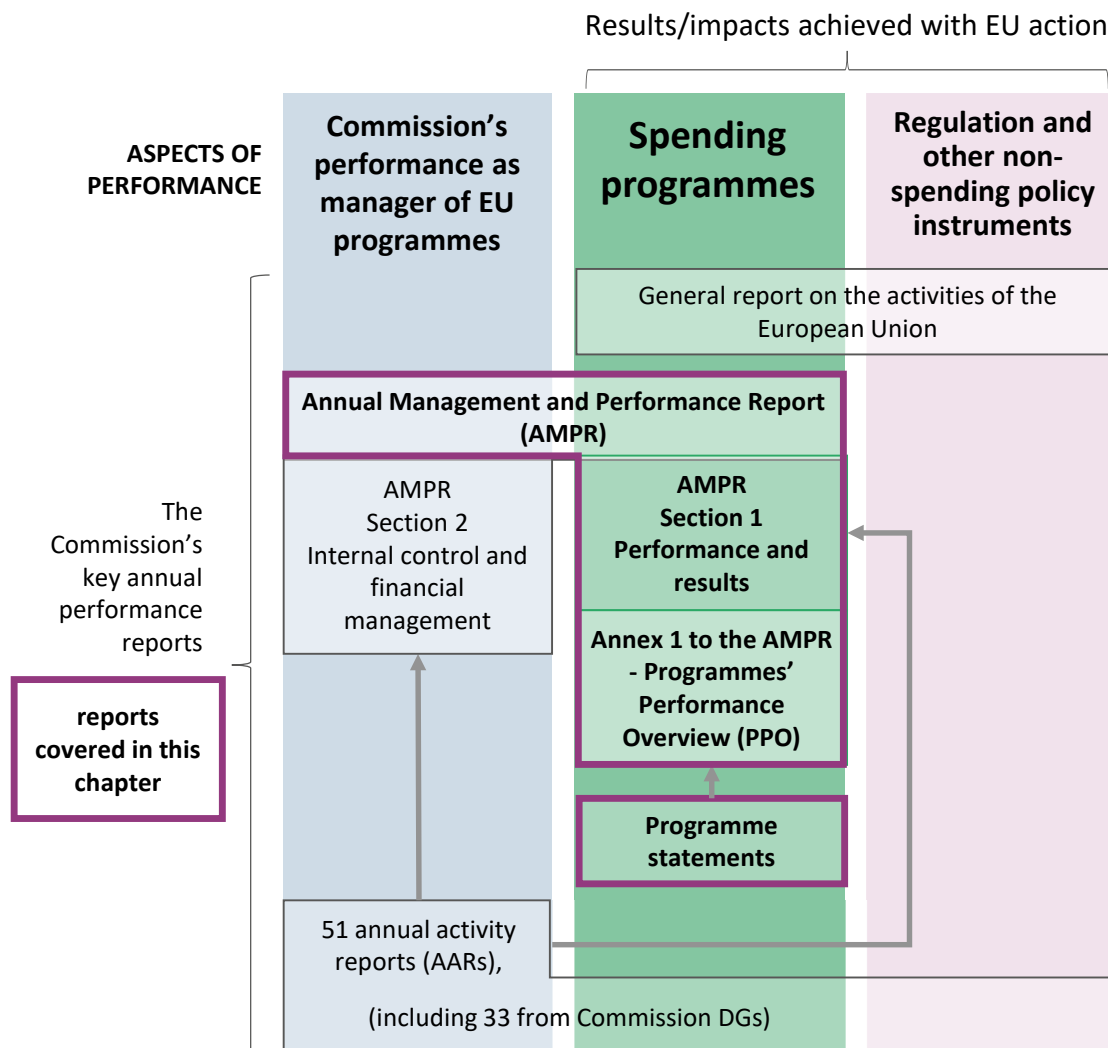
- **Section 1 – Performance and results** assesses progress towards the achievement of policy objectives, taking into account the performance indicators<sup>2</sup>.
- **Section 2 – Internal control and financial management** reports on the Commission's achievements in managing and protecting the EU budget.
- The **programme statements** show the progress made in achieving each spending programme's objectives, based on a set of indicators and accompanying information on programme implementation. They play a key role in the budget adoption procedure. The Commission is required<sup>3</sup> to attach them to the draft budget in order to justify the level of *appropriations* it requests. The programme statements include over 1 000 indicators.
- The **annual activity reports (AARs)** are management reports submitted by the Commission's directors-general (and other authorising officers by delegation) to the College of Commissioners. Their main purpose is to give an account of the performance of the directorate-general (DG) concerned (rather than of the programmes it manages). The AARs also provide financial and management information, including a *declaration of assurance* signed by each director-general, stating that the control procedures put in place give the necessary guarantees that spending has been *legal and regular*, and that resources have been used for their intended purpose and in accordance with the principle of *sound financial management*.
- The **General Report on the Activities of the European Union** goes beyond the EU budget and covers wider EU policies, grouped under thematic chapters corresponding to the ten priorities of the Juncker Commission (2014-2019).

---

<sup>2</sup> Article 318 of the Treaty on the Functioning of the European Union (TFEU) and article 247(1)(e) of the Financial Regulation.

<sup>3</sup> Article 41(1) and (3)(h) of the Financial Regulation.

**Figure 1.1 – The Commission’s key performance reports**



Source: ECA.

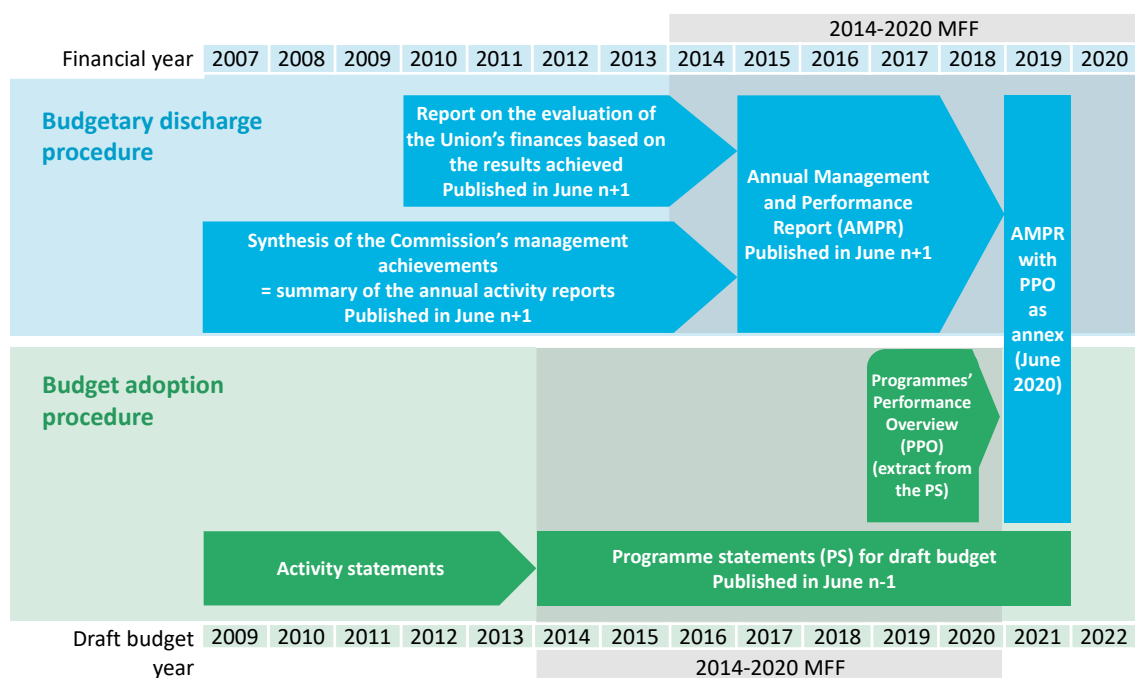
**1.4.** This chapter covers the two main reports relating directly to the performance of the EU budget and its spending programmes: the AMPR (Section 1) and the programme statements. We examined a selection of nine spending programmes, together representing 74 % of the payments made up until the end of 2019 under the five operational headings of the present MFF. The **Appendix** presents our methodology. [Annex 1.1](#) presents the results of the follow-up of our recommendations made in chapter 3 of our 2016 annual report.

# Process for producing high-level performance reports

## The performance reporting set-up continues to improve

**1.5.** Figure 1.2 shows how the Commission's performance reporting has evolved from a collection of disparate reports into a more coherent package. This positive development does not fully address our past observations<sup>4</sup> with regard to the accessibility of performance information.

**Figure 1.2 – The Commission's performance reporting over time**



Source: ECA.

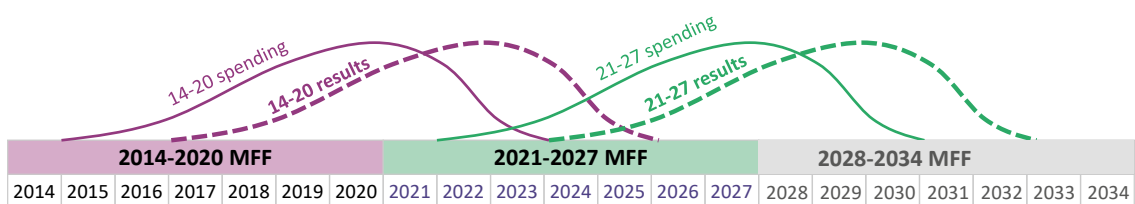
**1.6.** The 2019 draft budget procedure brought an innovation: a '*programme performance overview*' (PPO), in which the Commission summarises the programme statements. This document presents each spending programme concisely, based on a selection of programme statement indicators.

<sup>4</sup> See paragraph 3.73 (6) of our 2016 annual report.

**1.7.** This year's reports (published in 2020) have seen three important improvements:

- The PPO has become an annex to the AMPR, thus creating a link between the budget adoption and discharge procedures. The *budgetary authority* can now re-examine the programme statement indicators included in the PPO when assessing the execution of the budget, having used the same indicators two years before to support its decision to approve the budget.
- Both the programme statements and the PPO now include sections in which the Commission aims to provide an explicit assessment of each programme's performance.
- Although the programme statements accompanying the draft budget for 2021 already concern the next MFF period (2021-2027), they present indicators and reports on the performance of programmes under the 2014-2020 MFF. This is in contrast to the end of the previous period (2007-2013): the programme statements for the 2014 draft budget, published in 2013, did not cover the performance of 2007-2013 programmes. The change is useful because, as [Figure 1.3](#) shows, programmes continue to produce results long after the end of their corresponding MFF period.

**Figure 1.3 – Spending programmes continue to produce results after the end of the MFF period**



This figure is an approximate illustration of the time gap existing between money being spent on a programme and the programme producing its results. The actual time profile of spending and production of results differs between programmes and MFF periods.

Source: ECA.

## The Commission has good procedures for preparing high-level performance reports

**1.8.** The production of the AMPR and the programme statements follows well-defined, annually updated procedures, involving two of the Commission's 'central services' (the Secretariat-General and the Directorate-General for Budget (DG BUDG)), the various DGs responsible for managing spending programmes and the College of Commissioners. [Table 1.2](#) shows the roles of the various participants.

**Table 1.2 – The Commission's high-level performance reporting is based on well-defined procedures**

Performance report	Central services (DG BUDG/SEC GEN)	DGs	College
AMPR	<ul style="list-style-type: none"> <li>○ <b>draft report</b></li> <li>○ follow strategic orientations from the corporate management board</li> <li>○ consult responsible DGs</li> </ul>	<ul style="list-style-type: none"> <li>○ indicate main issues/messages to be included in the AMPR in their programme statements and AAR</li> <li>○ provide feedback on drafts</li> </ul>	<ul style="list-style-type: none"> <li>○ ensures consistency of political messages</li> <li>○ <b>adopts report</b></li> </ul>
PPO (annex to the AMPR)	<ul style="list-style-type: none"> <li>○ <b>draft report</b></li> <li>○ select programme statement indicators to be included</li> <li>○ design methodology for progress to target calculations</li> <li>○ consult responsible DGs</li> </ul>	<ul style="list-style-type: none"> <li>○ indicate main issues/messages to be included in the PPO in their programme statements and AAR</li> <li>○ provide feedback on drafts</li> </ul>	<ul style="list-style-type: none"> <li>○ ensures consistency of political messages</li> <li>○ <b>adopts report</b> (as part of AMPR)</li> </ul>

Performance report	Central services (DG BUDG/SEC GEN)	DGs	College
Programme statements	<ul style="list-style-type: none"> <li>○ <b>issue templates/ instructions/ guidelines</b> ('budget circular') and provide training</li> <li>○ review drafts and send feedback to responsible DGs</li> </ul>	<ul style="list-style-type: none"> <li>○ collect data for indicators</li> <li>○ <b>draft</b></li> </ul>	<ul style="list-style-type: none"> <li>○ <b>adopts report</b> (as part of draft budget proposal)</li> </ul>
AAR	<ul style="list-style-type: none"> <li>○ <b>issue templates/ instructions/ guidelines</b></li> <li>○ review drafts and send feedback to responsible DGs</li> <li>○ organise peer reviews</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>draft report</b></li> <li>○ <b>sign off report</b> (directors-general)</li> </ul>	<ul style="list-style-type: none"> <li>○ decides on follow-up</li> </ul>

Source: ECA.

**1.9.** The fundamental requirements for the Commission's performance reporting are set out in the TFEU, the *Financial Regulation* and other legislation. In addition, the better regulation guidelines<sup>5</sup> provide standards for two key inputs for the programme statements and the AMPR: monitoring information (including performance indicators) and evaluations (of the *impact* of policy actions).

**1.10.** Each year, the Commission's central services translate these requirements into detailed instructions, guidelines and templates, covering issues such as:

- changes in the reports' content and structure;
- use of sources of performance information, including performance indicators, evaluations and ECA reports;

<sup>5</sup> [Better Regulation Guidelines](#), SWD (2017) 350.

- o arrangements for review by central services, and peer review by other DGs to ensure quality and harmonisation;
- o milestones, with clear deadlines, to ensure timely publication.

**1.11.** The central services do not issue instructions for the AMPR itself (including the PPO), because they are directly responsible for drafting it. However, they receive guidance from the Commission's *corporate management board*.

**1.12.** The central services also select the programme statement indicators to be included in the AMPR (in its annex – the PPO). For the nine spending programmes we examined, we observed that the selection of indicators in the PPO tended to show a more positive picture than the complete set covered by the programme statements. As [Table 1.3](#) shows, we assessed 68 % of the indicators in the PPO as 'on track', compared to 44 % of the indicators in the programme statements. In addition, the indicators selected for the PPO showed an average progress to target of 64 %, compared to 46 % for all indicators in the programme statements.

**Table 1.3 – Indicators selected for the PPO show a more positive picture than those in the programme statements**

	Indicators in the programme statements	Indicators selected for the PPO
All indicators	258	71
Indicators 'on track'	114 (44 %)	48 (68 %)
Average progress to target	46 %	64 %

Source: ECA, based on the [programme statements for the 2021 draft budget](#) and the [2019 AMPR](#) (Annex 1: PPO, pp. 73-215).

## The Commission does not fully control or guarantee the reliability of performance information

**1.13.** The AMPR and the programme statements are based on monitoring data and programme evaluations.

### Monitoring data from Member States is not fully reliable, but the Commission takes steps to mitigate risks

**1.14.** Most monitoring data feeding into performance indicators comes from Member States' reporting or from data generated by the DG in charge of a given programme. Some data is produced by Eurostat or international organisations.

**1.15.** When comparing the programme statements for the 2020 draft budget with those for the 2021 draft budget, we found that for a third of all indicators in our sample, the data already reported last year had been modified this year (see [Table 1.4](#)). A third of these adjustments exceeded 50 % of the value initially reported. Upward adjustments were twice as frequent as downward ones. Such frequent adjustments, whether due to correction of input errors or availability of updated, more precise data, mean that reported values need to be treated with caution.

**Table 1.4 – A third of indicators required correction of the reported data**

Cases with downward adjustment by			Cases with upward adjustment by		
More than 50 %	10-50 %	1-10 %	1-10 %	10-50 %	More than 50 %
3 %	5 %	4 %	7 %	5 %	8 %

Source: ECA, based on the [programme statements for the 2020 draft budget](#) and [programme statements for the 2021 draft budget](#).



**1.16.** The Directorates-General for Agriculture and Rural Development (DG AGRI) and Regional and Urban Policy (DG REGIO) mitigated the risk of unreliable data. Both DGs obtained data for most of their indicators from Member States. We found that both DG AGRI and DG REGIO carried out automated quality checks on data received from Member States. These checks covered aspects such as the completeness, plausibility and consistency of data. The problems identified were followed up with the relevant institutions in the Member States concerned.

**1.17.** In addition, DG REGIO carried out a number of thematic audits in Member States, focusing on the reliability of performance data (see [Box 1.1](#)). These audits related to a one-off event in 2019: the allocation of the Cohesion '*performance reserve*' – a budgetary allocation towards priorities whose milestones had been achieved (see also paragraph 3.23). Their purpose was to mitigate the risk of reporting incorrect or inflated *outputs* and *results*, which could have resulted in the incorrect allocation of the performance reserve. DG AGRI did not carry out comparable audits.

### Box 1.1

#### Examples of issues with data reliability identified by DG REGIO's audits in Member States

In connection with the release of the performance reserve, DG REGIO carried out 26 audits in 14 Member States. In eight cases<sup>6</sup> they detected material deficiencies, such as:

- manual (instead of automatic) data aggregation and a lack of clear procedures for aggregating and validating indicator data, which led to errors;
- lack of audit trail;
- discrepancies between the performance data in IT systems and the sources of such data;
- insufficient instructions to beneficiaries;
- lack of or insufficient management verifications.

The audits also highlighted good practices such as:

- the development of a platform for electronic exchange of information between beneficiaries and *programme authorities* in different regions and across funds;
- the creation of a dedicated team for monitoring and evaluation, allowing the *managing authority* to gain and retain expertise.

### 1.18. DGs are subject to **audits by the Commission's Internal Audit Service (IAS)**.

This led to improvements in reliability of performance data:

- In a 2016 audit on the design of DG AGRI's performance measurement system, the IAS found significant weaknesses in its setting of objectives, in the indicators it used and in its collection of data. It concluded that these weaknesses may impair DG AGRI's ability to monitor, evaluate and report on the performance of the

---

<sup>6</sup> Source: Reliability of performance indicators – feedback from European Commission audits, Evaluation Network meeting, Brussels, REGIO C.3 (Audit II), 20 June 2018.

2014-2020 CAP<sup>7</sup>. Since then, according to the IAS, DG AGRI has improved<sup>8</sup> data collection and availability by issuing guidelines<sup>9</sup> and publishing more data on indicators<sup>10</sup>.

- o In 2019, the IAS audited performance monitoring by DG REGIO and the Directorates-General for Employment, Social Affairs and Inclusion (DG EMPL) and Maritime Affairs and Fisheries (DG MARE)<sup>11</sup>. For DG REGIO and DG EMPL, it found that there were weaknesses in the reliability of performance data. The IAS recommended that DG REGIO should provide clear instructions to *audit authorities* and conclude on the level of assurance drawn from their work on the reliability of performance data<sup>12</sup>. In response, DG REGIO and DG EMPL prepared a joint action plan, which is currently under implementation. DG REGIO indicated in its 2019 AAR that it had reasonable assurance on the reliability of performance data for most programmes (71 %), but that assurance gaps existed due to insufficient audit work (26 % of programmes) and that some serious deficiencies remained (2 %)<sup>13</sup>.

---

<sup>7</sup> “Report from the Commission to the European Parliament and the Council: Annual report to the Discharge Authority on internal audits carried out in 2016” (Article 99(5) of the Financial Regulation) {COM(2017) 497}, p. 8.

<sup>8</sup> Commission staff working document: Annual report to the Discharge Authority on internal audits carried out in 2019, accompanying the document “Report from the Commission to the European Parliament, the Council and the Court of Auditors: Annual report to the Discharge Authority on internal audits carried out in 2019” {COM(2020) 268 final}, p. 57.

<sup>9</sup> E.g. Guidance document “Assessment of RDP Results: How to Prepare for Reporting on Evaluation in 2017”, 2016.

<sup>10</sup> [https://agridata.ec.europa.eu/extensions/DataPortal/cmef\\_indicators.html](https://agridata.ec.europa.eu/extensions/DataPortal/cmef_indicators.html)

<sup>11</sup> DG REGIO 2019 AAR, p. 46.

<sup>12</sup> Commission staff working document: Annual report to the Discharge Authority on internal audits carried out in 2019, accompanying the document “Report from the Commission to the European Parliament, the Council and the Court of Auditors: Annual report to the Discharge Authority on internal audits carried out in 2019” {COM(2020) 268 final}, p. 8.

<sup>13</sup> DG REGIO 2019 AAR, p. 39.

## The regulatory scrutiny board issues a negative opinion on 40 % of the evaluations it examines

**1.19.** An evaluation is a tool to assess the impact of policy actions, such as spending programmes. The Financial Regulation<sup>14</sup> requires “ex-ante and retrospective evaluations” for all “programmes and activities which entail significant spending”. Legislation establishing individual spending programmes usually specifies the type and timing of evaluations required, in some cases including an interim evaluation a few years after the programme’s launch.

**1.20.** Evaluations are carried out by the directorates-general responsible for a given programme and are published as Commission *staff working documents*. Usually, they are supported by studies commissioned from external experts, which are published together with the evaluations. The Commission defines terms of reference for such studies, in line with better regulation guidelines. These guidelines set out key concepts and principles, such as the requirement for evaluations to be evidence-based, and the five criteria each evaluation must use:

- How effective has the EU action been?
- How efficient has the EU action been?
- How relevant is the EU action?
- How coherent is the EU action internally and with other (EU) actions?
- What is the added value of the action?

**1.21.** The Commission’s regulatory scrutiny board (RSB), composed of four senior Commission officials (including its Chair) and three external appointees, checks the quality of draft evaluations. The RSB scrutinised around a fifth of all evaluations prepared<sup>15</sup> and issued an initial negative opinion on around 40 % of those. According to the RSB’s own assessment<sup>16</sup>, while its scrutiny frequently leads to improvements in the evaluations’ presentation or the validity of their conclusions, it often comes too late to remedy design or methodological flaws that can affect the assessment of the

---

<sup>14</sup> Article 34 of the Financial Regulation.

<sup>15</sup> ECA Review No 2/2020 “Law-making in the European Union after almost 20 years of Better Regulation”.

<sup>16</sup> Regulatory Scrutiny Board, 2019 annual report.

effectiveness, efficiency, coherence, relevance and EU added value of EU policies and programmes.

### **The Commission does not clearly indicate the reliability of performance information in the AMPR and programme statements**

**1.22.** The Commission does not clearly indicate the reliability of the data reported in the AMPR and programme statements (see also paragraph 3.73 (5) of our 2016 annual report). The European Parliament, in its 2018 discharge<sup>17</sup>, expressed regret at this, stating that “the College of Commissioners takes overall political responsibility for the financial management of the Union budget but not for the information on performance and results”.

**1.23.** The AMPR does not mention the reliability of data in relation to specific indicators. In the programme statements, the Commission occasionally presents disclaimers about the reliability or quality of individual indicators. Six of the 258 indicators we examined had such disclaimers. Unlike for the AARs (see [Box 1.2](#)), the relevant instructions do not require such disclaimers to be made in programme statements. There is therefore no guarantee that they cover all the indicators with reliability or quality issues.

---

<sup>17</sup> European Parliament resolution of 14 May 2020 with observations forming an integral part of the decisions on discharge in respect of the implementation of the general budget of the European Union for the financial year 2018, Section III – Commission and executive agencies (2019/2055(DEC)).

**Box 1.2****Assurance given in the AARs**

AARs contain a declaration of assurance signed by the relevant director-general, declaring that they provide a reliable, complete and correct view of the state of affairs in the DG/*executive agency*<sup>18</sup>. Before signing a declaration of assurance, a director-general is expected to assess whether the data for indicators<sup>19</sup>:

- comes from an internationally recognised source;
- is subject to a well-established and documented data quality control process;
- is reproducible (i.e. not arbitrary).

If an indicator is considered unreliable, the DG should explain the weaknesses and decide on further actions, which may include no longer reporting on the unreliable indicator, reporting on it with a disclaimer, or introducing a data quality control process.

---

<sup>18</sup> Model template for 2019 AAR, footnote 28, p. 39.

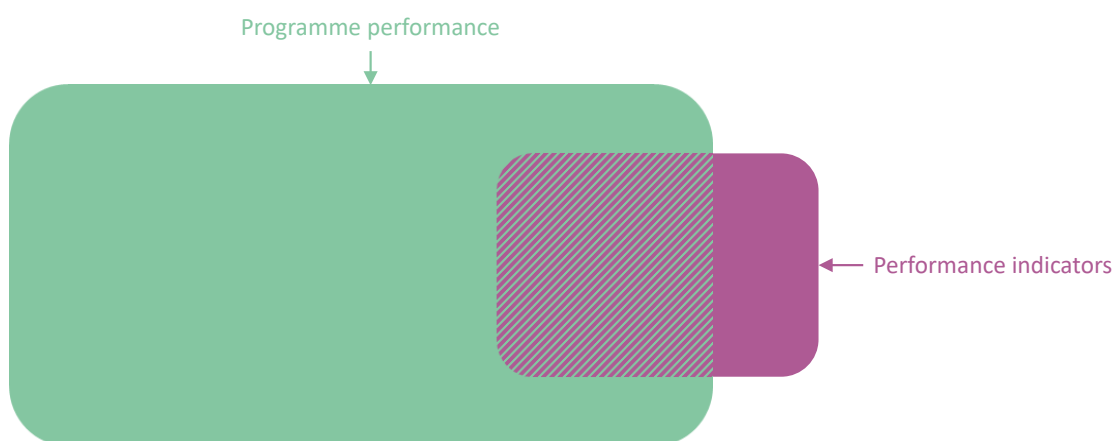
<sup>19</sup> Model template for 2019 AAR annexes, Annex 12 – performance tables, pp. 22-23.

## Quality of high-level performance reports

### Despite progress, the quality of some performance indicators remains a challenge

**1.24.** Overall, due to their inherent limitations, performance indicators can only provide an incomplete picture of programme performance. There are aspects of programme performance that the indicators do not capture, or capture poorly. On the other hand, some indicators are not relevant for assessing performance (see examples in paragraphs 4.20-4.21) because they are not linked to programme objectives or are not influenced by programme actions (see [Figure 1.4](#)).

**Figure 1.4 – Indicators cannot give a full picture of performance**



Source: ECA.

**1.25.** We examined the quality of performance indicators in our 2018 annual report<sup>20</sup>, based on the programme statements for the 2019 draft budget, and signalled a number of issues. We also recommended improvements in the quality of performance indicators (recommendations 3.1, 3.2, 3.3 and 3.4<sup>21</sup>). Our analysis of the programme statements for the 2020 and 2021 draft budgets indicates both progress and remaining challenges:

<sup>20</sup> See paragraphs 3.21-3.35 and 3.80-3.83 of our 2018 annual report.

<sup>21</sup> See paragraph 3.85 of our 2018 annual report.

- **Balance between different types of indicators:** Around 60 % of all indicators in our sample are input and output indicators. The remaining indicators are *result* and impact indicators. As indicators are set for the entire duration of an MFF period, we cannot report any improvement here. *Result indicators* are particularly useful for continuously assessing programme performance, because they can bridge the gap between the programme's immediate outputs and the expected longer-term impacts.
- **Availability of recent data:** The data for around a quarter of the indicators in the programme statements for the 2019 draft budget was from 2015 or earlier, or was not available. The situation improved significantly in the programme statements for the 2020 and 2021 draft budgets. [Table 1.5](#) shows that the overall share of indicators with old data or no data at all has fallen by 18 percentage points in the last two years.

**Table 1.5 – Fewer indicators have old data or no data at all**

	Programme statements for draft budget		
	2019	2020	2021
	published in		
	2018	2019	2020
Share of indicators for which most recent data available is at least three years old	10 %	8 %	6 %
Share of indicators for which no data is available	15 %	4 %	1 %
TOTAL	25 %	12 %	7 %

Source: ECA.

- **Calculating progress towards programme target:** In our 2018 annual report, we found that, for more than 40 % of the indicators in our sample, it was not possible to calculate progress towards target due to a lack of quantified baselines, targets or data on what had been achieved. The two subsequent programme statements (for the 2020 and 2021 draft budgets) have shown gradual improvement in terms of data completeness. The share of indicators for which it is not possible to calculate progress towards target has fallen by 16 percentage points. However, this share remains significant at 26 %.



- **Target-setting:** In our 2018 annual report, we observed that 14 % of the indicators in our sample had unambitious targets. For the present report, we looked at how targets were set and updated. We identified four main types of target-setting procedures, with varying degrees of transparency (see [Table 1.6](#)). We also observed that around half of the indicators we examined had had their targets revised since the start of the MFF.

**Table 1.6 – Transparency of target-setting**

Target-setting procedures	Level of transparency	Occurrence
Legislation	Very high	Rare, except in EFSI
Transposition of EU international commitments	Very high	Rare, except in DCI
National/regional programmes	High	Widespread; predominant in <i>Cohesion Fund</i> , ERDF, EAFRD and AMIF
Responsible DG	Low	Widespread; predominant in Horizon 2020, EFSI, EAGF, DCI and ENI

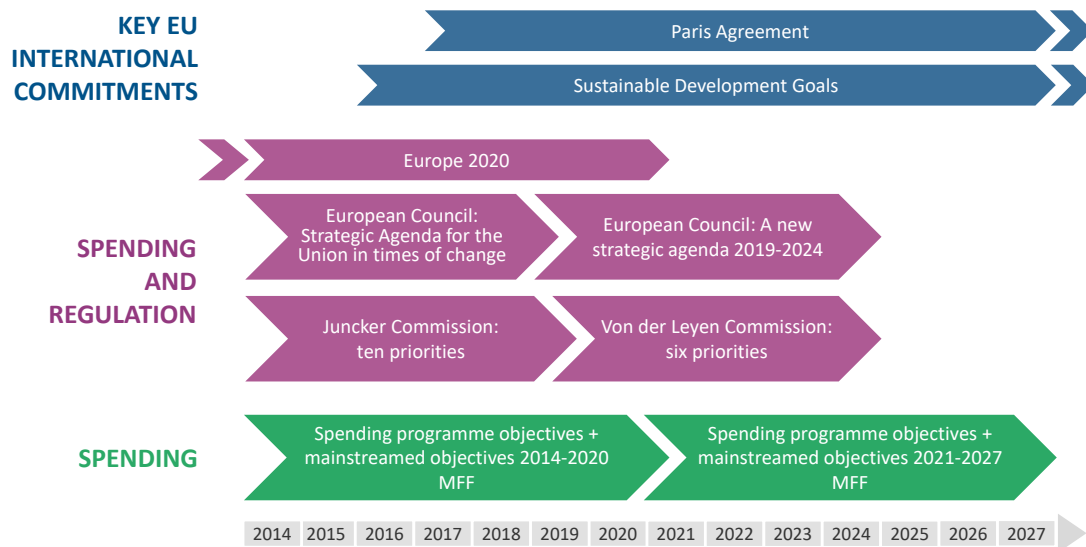
Source: ECA, based on Commission data.

## Some progress in the reports' coverage of different sets of objectives

**1.26.** The Commission reports on several distinct sets of objectives that the EU has set itself at various levels<sup>22</sup> (see [Figure 1.5](#)).

<sup>22</sup> See also paragraph 13 of our review No 06/2018: The Commission's proposal for the 2021-2027 Multiannual Financial Framework (Briefing paper).

**Figure 1.5 – The EU strives to achieve various sets of objectives**



Source: ECA.

**1.27.** The programme statements and Section 1 of the AMPR are both dedicated to the performance of the EU budget and its spending programmes and focus on the general and specific objectives of these programmes, as defined in the relevant legislation. In separate, clearly identifiable sections, these documents also provide information on the contribution of EU spending programmes to cross-cutting objectives (climate action, biodiversity and clean air). However, there is only limited information on the contribution of EU spending programmes to gender equality<sup>23</sup> and the United Nations' *Sustainable Development Goals*<sup>24</sup>. Occasionally, programme statements and Section 1 of the AMPR also refer to the *Europe 2020* headline targets and the Paris Agreement.

**1.28.** We note an important positive change in the coverage of objectives in the AMPR. In the past, Annex 1 to the AMPR provided a snapshot of performance indicators linked to the Juncker Commission's ten priorities (which differed from the objectives of the spending programmes). As from this year, however, the previous Annex 1 has been replaced by the PPO, which – like Section 1 of the AMPR – reports on the objectives of spending programmes. This improves the alignment between the main report and the annex.

<sup>23</sup> An audit on gender *mainstreaming* in EU programmes is currently ongoing.

<sup>24</sup> See also ECA Review No 07/2019: Reporting on sustainability - A stocktake of EU Institutions and Agencies.

## The AMPR and programme statements report more on effectiveness and less on efficiency and *economy*

**1.29.** The TFEU<sup>25</sup> requires the Commission to implement the budget in cooperation with the Member States, having regard to the principles of *sound financial management*. The Financial Regulation<sup>26</sup> defines these principles as follows:

- **effectiveness** – the extent to which the objectives pursued are achieved through the activities undertaken;
- **efficiency** – the best relationship between the resources employed, the activities undertaken and the achievement of objectives;
- **economy** – making resources available in due time, in the appropriate quantity and quality, and at the best price.

**1.30.** The AMPR and the programme statements do not cover the three aspects of sound financial management equally:

- The programme statements focus on aspects of the programmes' effectiveness. They provide some information on efficiency, although not systematically. The information on economy is limited to data on the amounts spent on each programme. The programme statements also refer to recent evaluations, for which programme effectiveness and efficiency are mandatory criteria (see paragraph [1.20](#)).
- Section 1 of the AMPR concisely covers the spending programmes with the highest budget allocation under each MFF heading. It explains the main programme characteristics and progress towards achieving general objectives, while highlighting examples of activities carried out during the year. References to performance tend to be generic, without covering efficiency and economy. The PPO, an annex to the AMPR, is more detailed, devoting a few pages to each spending programme. Like the programme statements, the PPO focuses on effectiveness.

---

<sup>25</sup> Article 317 of the TFEU.

<sup>26</sup> See Article 33(1)(a) to (c) of the Financial Regulation.

## The AMPR and the programme statements explain context and external factors to varying degrees

**1.31.** EU spending programmes are subject to the influence of external factors, which can affect their results and impacts to varying degrees. These include the existence of similar national, regional and local public-spending programmes in the EU Member States or in non-EU countries, and the wider economic, social, environmental and security context of their activities. We examined the extent to which the high-level reports explained relevant external factors and their impact on performance.

**1.32.** The picture emerging from our analysis was mixed. The programme statements and the PPO included rather limited information on external factors in relation to Horizon 2020, the *European Fund for Strategic Investment* (EFSI), *European Regional Development Fund* (ERDF), *European Agricultural Fund for Rural Development* (EAFRD) and the Cohesion Fund. In relation to the Development Cooperation Instrument (DCI), European Neighbourhood Instrument (ENI), Asylum, Migration and Integration Fund (AMIF) and *European Agricultural Guarantee Fund* (EAGF), however, they explained how external factors affected their general operating context and the achievement of their objectives, as illustrated by the good practice examples in **Box 1.3**.

### Box 1.3

#### Examples of external factors considered in the PPO and programme statements (ENI)

“External factors such as political instability and the security situation are hampering progress in the southern neighbourhood. Cooperation with the north African partner countries is challenging and subject to the evolution of the situation, notably in Libya. Across the Middle East region, the impact of ongoing conflicts, insecurity and poor governance destabilises the EU’s partners, disrupts trade and investment and limits opportunities for the population. The large numbers of refugees and displaced persons exacerbates all these structural deficiencies.”<sup>27</sup>

“Overall, the trend in the neighbourhood has been fluctuating, but an improvement in comparison with the baseline is noted. There are also many external factors, which might influence overall scores (such as political instability, security situation, etc.), which make these indicators only subject to be indirectly influenced by EU action.”<sup>28</sup>

## The Commission has started making systematic performance assessments

**1.33.** The latest set of high-level reports published in June 2020 introduced new sections dedicated to analysing the available performance information for each programme:

- o In the programme statements, this section is entitled “Programme performance”. According to the Commission, it “is meant to present key performance information in a succinct manner, (...) in order to give a summary of the programme’s performance to date”<sup>29</sup>.

<sup>27</sup> ENI PPO June 2020, p. 183.

<sup>28</sup> ENI programme statement for the 2021 draft budget, specific objective 1, indicator 2: “ENI weighted score based on eight external sources”, p. 11.

<sup>29</sup> See budget circular 2020, p. 78: Section III. 3. “Performance information - assessment of the performance of the programme”.

- o The Commission introduced similar sections (“Performance assessment”) for each programme in the PPO. The analysis is essentially the same as in the programme statements, but usually shorter and less detailed.

**1.34.** In many cases, this analysis leads to conclusions on the progress made to date towards achieving the programmes’ objectives. We consider this a significant positive step towards clearer, more transparent and comprehensive annual reporting on programme performance.

### **The new performance assessments only partially cover specific objectives**

**1.35.** We examined whether the new performance sections in the programme statements covered all programme objectives. We found that the programme statements provide an analysis for all general programme objectives. However, they do not always address specific programme objectives with the same level of coverage, which ranges from full (e.g. for the DCI and EAFRD) to partial (e.g. for the EAGF, the ENI and Horizon 2020).

### **The performance sections do not always include detailed analysis**

**1.36.** According to the Commission’s instructions, performance sections should include key achievements, main execution challenges and an explanation for any deviation from the milestones and targets. Some of the performance sections we analysed followed these instructions and presented a broader picture of performance. Some others were less informative because they focused almost exclusively on the indicators or included descriptions of activities undertaken, which does not inform the reader about the programme’s performance.

### **Some conclusions on performance lack clarity**

**1.37.** Performance assessments should allow readers to form an opinion on whether or not a programme is on track to achieve its objectives by the end of its implementation period. Clear conclusions for the general and specific objectives can help in this regard. The performance sections we examined varied in this respect: some were well-structured and included clear conclusions, whereas others were more difficult to follow and less informative, as [Box 1.4](#) shows.

## Box 1.4

### Example of clearly formulated conclusion

#### ERDF PPO, general objective

“The overall performance of the programme can be considered satisfactory. While most indicators show results that are below 50 % of the 2023 target value, the consistently positive trends for virtually all objectives allow us to state that the ERDF is well on track to achieve its targets.

- Where indicators show poor results, this can often be attributed to the slow start-up of the programme and the time lag between project investment decisions and results. Due to the high project-selection rate, results are likely to show an increasingly positive trend late in the programme’s period, meaning that the trends already observed will become clearer.
- Challenges remain in relation to the level of project selection and the reported achievements. They have not increased to the expected degree in some investment areas – such as certain rail investments, users of smart energy grids, greenhouse gas emission reductions, waste recycling capacity and rehabilitation of land – possibly dampening the increase in positive results. At the current midway point of the programme’s implementation, the long-term effects can possibly still be alleviated.”

### Example of a vague conclusion (Horizon2020 PPO)

#### PPO for Horizon 2020

The performance section in the programme statements for the Horizon 2020 programme provides conclusions for each *focus area* or ‘pillar’, not for specific objectives:

“Excellent science - is progressing towards the targets and is likely to meet them”.

“Industrial leadership - actions are progressing well”.

“Societal challenges - the progress is encouraging”.

These conclusions are generic and vague. They do not enable the reader to understand whether the objectives covered by the three pillars are likely to be achieved, and if not, why.

## The reports are becoming more balanced

**1.38.** In our 2016 annual report, we recommended<sup>30</sup> that the Commission better balance performance reporting by presenting information on the main challenges to achieving results. The Commission's instructions for its AARs covering 2019, and for the programme statements for the 2021 draft budget, have been updated to reflect this recommendation<sup>31</sup>.

**1.39.** The performance information presented in the main body of the AMPR nevertheless still tends to focus on high-level, usually positive, not so balanced messages. However, the programme statements and the PPO now present performance information in a more balanced way than in the past by including both positive and negative elements (see [Box 1.5](#)). However, the degree of balance still varies across programmes, leaving room for further improvement.

### Box 1.5

#### Examples of balanced reporting in programme statements and PPO

DCI programme statements for the 2021 draft budget, p. 682: "Regarding progress on the second specific objective relating to the consolidation of democracy, rule of law, good governance and human rights, the indicators tell a less encouraging story. For the World Bank's Rule of Law score, the situation has been steadily deteriorating since 2014. For the proportion of seats held by women in national parliaments, the little progress made between 2015 and 2018 was undone in 2019."

EAGF programme statement for the 2021 draft budget, p. 354: "Despite the positive contribution of the CAP to improve the environmental performance of the EU agricultural sector, substantial environmental challenges remain. The EU has committed itself to further deep cuts in greenhouse gas emissions; the key natural resources of soil, air and water are still under pressure in many areas; and the available indicators on farm and forest biodiversity still do not paint a rosy picture. The citizens of the EU expect the CAP to make a stronger contribution to care for the environment and climate. Furthermore, there is a need to improve the effectiveness and targeting of the policy."

<sup>30</sup> Recommendation 2 in chapter 3 of our 2016 annual report.

<sup>31</sup> See Budget Circular for 2021, "Standing Instructions" (20 December 2019), p. 77 and "Instructions for the preparation of the 2019 Annual Activity Reports", pp. 4 and 10.



**Example of less balanced reporting in programme statement and PPO**

The Horizon 2020 programme statement for the 2021 draft budget and the 2019 PPO are less balanced. The performance assessment and its conclusions focus almost solely on the programme's positive achievements and do not mention challenges, indicators showing less progress or objectives unlikely to be achieved.

## Conclusions and recommendations

**1.40.** The Commission's reporting on the performance of EU spending programmes through the AMPR, PPO and programme statements continues to improve (see paragraphs [1.5-1.7](#)). Most recently, the PPO, which contains a selection of indicators from the programme statements, has become an annex to the AMPR. This has made EU budget performance reporting more coherent. We noted that the programme statements for the 2021 draft budget (the first year of the next MFF period) continued to report on performance indicators relating to the current MFF. This is an improvement compared to the Commission's performance reports published in the first years of the current MFF period, which did not cover the performance of programmes under the previous MFF.

**1.41.** The Commission produces its performance reports based on good procedures (see paragraphs [1.8-1.12](#)). Through annually updated guidelines and instructions, the Commission's central services promote a consistent approach, including by using a range of relevant sources (including ECA reports), carrying out quality reviews and setting clear deadlines to ensure timely publication.

**1.42.** The Commission does not fully control or guarantee the reliability of performance information but takes steps in specific policy areas to mitigate the related risks (see paragraphs [1.13-1.23](#)). The monitoring data that feeds into performance indicators is not fully reliable. The Commission carries out automated checks and audits on data from Member States to mitigate the risk of unreliable data. Evaluations are subject to better regulation guidelines and the quality of around a fifth is also checked by the regulatory scrutiny board (RSB). Of those, around 40 % receive an initial negative opinion. The RSB assesses that its scrutiny frequently leads to improvements in the evaluations' presentation and the validity of their conclusions, but often comes too late to remedy design and methodological flaws.

**1.43.** The quality of some performance indicators remains a challenge, despite recent progress (see paragraph [1.24](#)). In chapter 3 of our 2018 annual report, we examined the quality of performance indicators and reported on issues with the selection of indicators, availability of recent data, calculation of progress to target and target-setting. While these issues persist, we observed that recent data is now increasingly available.

**1.44.** The Commission's performance reports cover different sets of objectives more clearly (see paragraphs [1.26-1.27](#)). Both the programme statements and the AMPR report mainly on spending programme objectives set in sectoral legislation. However, they also cover various cross-cutting objectives in clearly identifiable separate sections. With the introduction of the PPO as an annex to the AMPR, the report's focus on the performance of spending programmes has become clearer.

**1.45.** The high-level reports focus on effectiveness, whereas the other aspects of sound financial management – efficiency and economy – are covered to a lesser extent (see paragraphs [1.29-1.30](#)). The performance of EU spending programmes is affected by external factors. The programme statements and the AMPR do not always explain such factors and their impact on programme performance (see paragraphs [1.31-1.32](#)).

**1.46.** Both the programme statements and the PPO now include sections devoted to programme performance assessments (see paragraphs [1.33-1.37](#)). This is a significant positive step towards clearer, more transparent and comprehensive annual reporting on programme performance. The quality of these assessments varies, however. While some are well-structured, provide necessary detail and lead to clear conclusions, some others are more difficult to follow and less informative.

**1.47.** The Commission's performance reporting is becoming more balanced (see paragraphs [1.38-1.39](#)). Both the programme statements and the AMPR complement their reporting on programme achievements with information on areas where programmes are lagging behind and challenges persist. The degree of balance still varies between programmes, leaving room for further improvement in this respect. Furthermore, the performance information presented in the main body of the AMPR (Section 1) focuses on high-level messages, which are less balanced than the more detailed account given in the PPO and programme statements.

**1.48.** Based on our conclusions for 2019, we make the following recommendations:

### Recommendation 1:

---

The Commission should continue to report on the performance of EU spending programmes for at least as long as substantial amounts of payments related to a given MFF period are being made, i.e. beyond the duration of the MFF period concerned. Consequently, for some time after the launch of next MFF's programmes, the Commission should report on the performance of two sets of programmes in parallel.

**Timeframe: starting with the programme statements for the 2022 draft budget and the 2020 AMPR**

### Recommendation 2:

---

The Commission should further improve the reliability of the performance information presented in the programme statements and the AMPR (e.g. through quality checks, sharing of good practices, and through standing instructions for programme statements), and systematically indicate if any issues were identified.

**Timeframe: starting with the programme statements for the 2023 draft budget and the 2021 AMPR**

### Recommendation 3:

---

The Commission should ensure that lessons learnt from RSB scrutiny are disseminated, so that weaknesses, especially those concerning design and methodology, are avoided in future evaluations.

**Timeframe: from 2021**

### Recommendation 4:

---

In order to increase transparency, the Commission should explain in the programme statements how targets for indicators were set and where the underlying data comes from.

**Timeframe: starting with the programme statements for the 2022 draft budget and the 2020 AMPR**

### Recommendation 5:

---

The Commission should include in its performance reports:

- (a) more analysis of the efficiency and economy of programmes when information becomes available;
- (b) more systematic analysis of the significant external factors affecting programme performance;
- (c) clear assessments, for all the performance indicators reported on, of whether they are on track to meet their targets;
- (d) clear and balanced assessments of performance, covering all programme objectives in appropriate detail.

**Timeframe: starting with the programme statements for the 2023 draft budget and the 2021 AMPR**

# Annexes

## Annex 1.1 Follow-up of recommendations

		ECA's analysis of the progress made			
Year	ECA recommendation	Fully implemented	Implemented in most aspects	Implemented in some aspects	Not implemented
2016	Recommendation 1: Streamline performance reporting by (a) further reducing the number of objectives and indicators it uses for its various performance reports and focusing on those which best measure the performance of the EU budget. In preparing the next multiannual financial framework, the Commission should propose less numerous and more appropriate indicators for the legal framework of the next generation of programmes. In this context, it should also consider the relevance of indicators for which information cannot be obtained until several years have elapsed.	X			
2016	Recommendation 1 - Streamline performance reporting by (b) presenting financial information in a manner which makes it comparable with performance information so that the link between spending and performance is clear.		X		
2016	Recommendation 1 - Streamline performance reporting by (c) explaining and improving the overall coherence between its two sets of objectives and indicators for programmes on the one hand and DGs on the other.		X		
2016	Recommendation 2 - Better balance performance reporting by clearly presenting information, in its core performance reports, on the main challenges to achieving results.		X		

		ECA's analysis of the progress made			
Year	ECA recommendation	Fully implemented	Implemented in most aspects	Implemented in some aspects	Not implemented
2016	Recommendation 3 - Further improve the user-friendliness of its performance reporting by making greater use of methods and tools such as graphics, summary tables, colour-coding, infographics and interactive web-sites.	X			
2016	Recommendation 4 - Better demonstrate that evaluation results are well used by:  (a) requiring evaluations always to include conclusions that can be acted upon, or recommendations, which the Commission should subsequently follow up.		X		
2016	Recommendation 4 - Better demonstrate that evaluation results are well used by  (b) carrying out a new study, or having one made, on the use and impact, including the timeliness, of evaluations at the institution.	X			
2016	Recommendation 5 - Indicate in core performance reports whether, to the best of their knowledge, the performance information provided is of sufficient quality.			X	
2016	Recommendation 6 - Make performance information more easily accessible by developing a dedicated web portal and search engine.			X	

## Chapter 2

### Competitiveness for Growth and Jobs



# Contents

	Paragraph
<b>Introduction</b>	2.1.-2.2.
<b>Scope and approach</b>	2.3.-2.6.
<b>Horizon 2020</b>	2.7.-2.39.
<b>The purpose and functioning of Horizon 2020</b>	2.7.-2.9.
<b>Published performance information</b>	2.10.
<b>Assessing performance of Horizon 2020 based on published performance information</b>	2.11.-2.35.
<b>General comments</b>	2.11.-2.19.
<b>Simplification contributes to efficiency</b>	2.14.
<b>Cross-border collaboration in the field of research provides added value</b>	2.15.
<b>Horizon 2020's popularity means that good proposals may be turned down</b>	2.16.-2.17.
<b>Three-pillar structure benefits Horizon 2020's coherence</b>	2.18.
<b>Measuring the effectiveness of research and innovation is difficult</b>	2.19.
<b>Excellent science</b>	2.20.-2.23.
<b>Support to excellence and mobility benefit European research</b>	2.22.
<b>Horizon 2020 adds value through the uniqueness and pan-European character of the support it provides</b>	2.23.
<b>Industrial leadership</b>	2.24.-2.28.
<b>Innovation support is popular, although SMEs face barriers</b>	2.27.
<b>Distinct EU added value through critical mass</b>	2.28.
<b>Societal challenges</b>	2.29.-2.31.
<b>Providing an answer to societal issues</b>	2.31.
<b>Results of performance testing of transactions</b>	2.32.-2.35.

<b>Conclusions</b>	<b>2.36.-2.39.</b>
<b>EFSI</b>	<b>2.40.-2.71.</b>
<b>The purpose and functioning of EFSI</b>	<b>2.40.-2.46.</b>
<b>Published performance information</b>	<b>2.47.</b>
<b>Assessing the performance of EFSI, based on published performance information</b>	<b>2.48.-2.67.</b>
The EFSI-financed projects have an estimated investment mobilised close to the target but is not always attributable only to EFSI	2.54.-2.55.
EFSI provided capital where the market would not have, but the market could nevertheless have accommodated some EFSI investments	2.56.-2.61.
EFSI has functioned as reinforcement for some EU programmes but temporarily overlapped with others	2.62.-2.63.
The Commission has managed the Guarantee Fund applying the principles of sound financial management	2.64.
Continuous efforts to improve the EFSI geographical distribution.	2.65.-2.67.
<b>Conclusions</b>	<b>2.68.-2.71.</b>

## **Annexes**

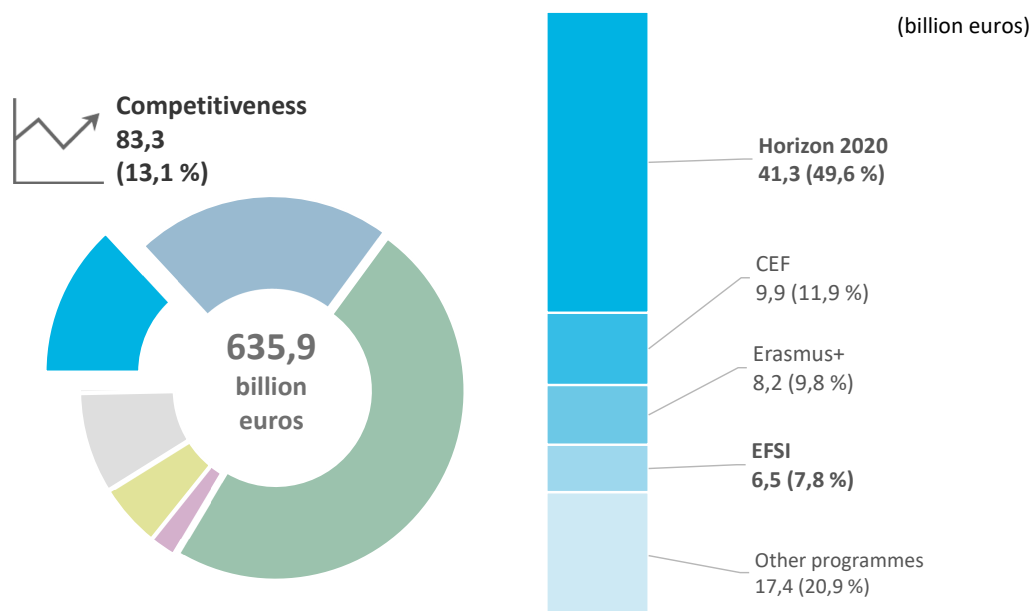
### **Annex 2.1 Objectives of Horizon 2020 and EFSI**

# Introduction

**2.1.** The 23 *programmes* financed under the MFF heading “Competitiveness for growth and jobs” aim to foster an inclusive society, stimulate growth and create employment in the EU. The programmes that represent most of the spending are Horizon 2020 supporting research and innovation (R&I), and Erasmus+ supporting education, training, youth and sport. The MFF heading also funds large infrastructure investments under programmes such as the *Connecting Europe Facility* (CEF) and the space programmes Galileo (the EU’s global satellite navigation system) and EGNOS (the European Geostationary Navigation Overlay Service). The calls on the guarantee fund of the *European Fund for Strategic Investments* (EFSI) as well as the funding of various other programmes also fall under this MFF heading.

**2.2.** Total planned expenditure under this heading in the 2014-2020 period is 142,1 billion euros, of which 83,3 billion euro was paid out by the end of 2019 (see [Figure 2.1](#)).

**Figure 2.1 – Competitiveness for Growth and Jobs: 2014-2019 payments on current MFF commitments, as a share of all payments and breakdown**



Source: ECA, based on Commission data.

## Scope and approach

**2.3.** The **Appendix** describes the methodology for this chapter's review and audit work.

**2.4.** We selected two programmes for our analysis: Horizon 2020 and EFSI. The basis for our selection is that these two programmes represent 47,2 % of the total budget in payments for this MFF heading and have been the subject of our special reports in recent years. For Horizon 2020 we also assessed the Commission's reporting on the *performance* of 62 projects.

**2.5.** [Annex 2.1](#) lists all the objectives of Horizon 2020 and EFSI and highlights those that we sampled. Overall, we sampled six objectives for Horizon 2020 and one objective for EFSI.

**2.6.** This chapter is largely based on a review of Commission information, supplemented by findings from our own audit and review reports, where available. We refer to our sources throughout the text.

# Horizon 2020

## The purpose and functioning of Horizon 2020

**2.7.** Horizon 2020 is the EU's programme for research and innovation. As the world's largest transnational research-funding programme, it makes available some 80 billion euros of funding over seven years (2014-2020).

**2.8.** The general objective of Horizon 2020 is to contribute to building a society and an economy based on knowledge and innovation across the whole Union, while contributing to *sustainable development*. Horizon 2020 is structured around three main three pillars ('mutually reinforcing priorities'): excellent science, industrial leadership and societal challenges. Out of the 18 specific objectives for the programme we focussed on six (see [Table 2.1](#)), two from each pillar.

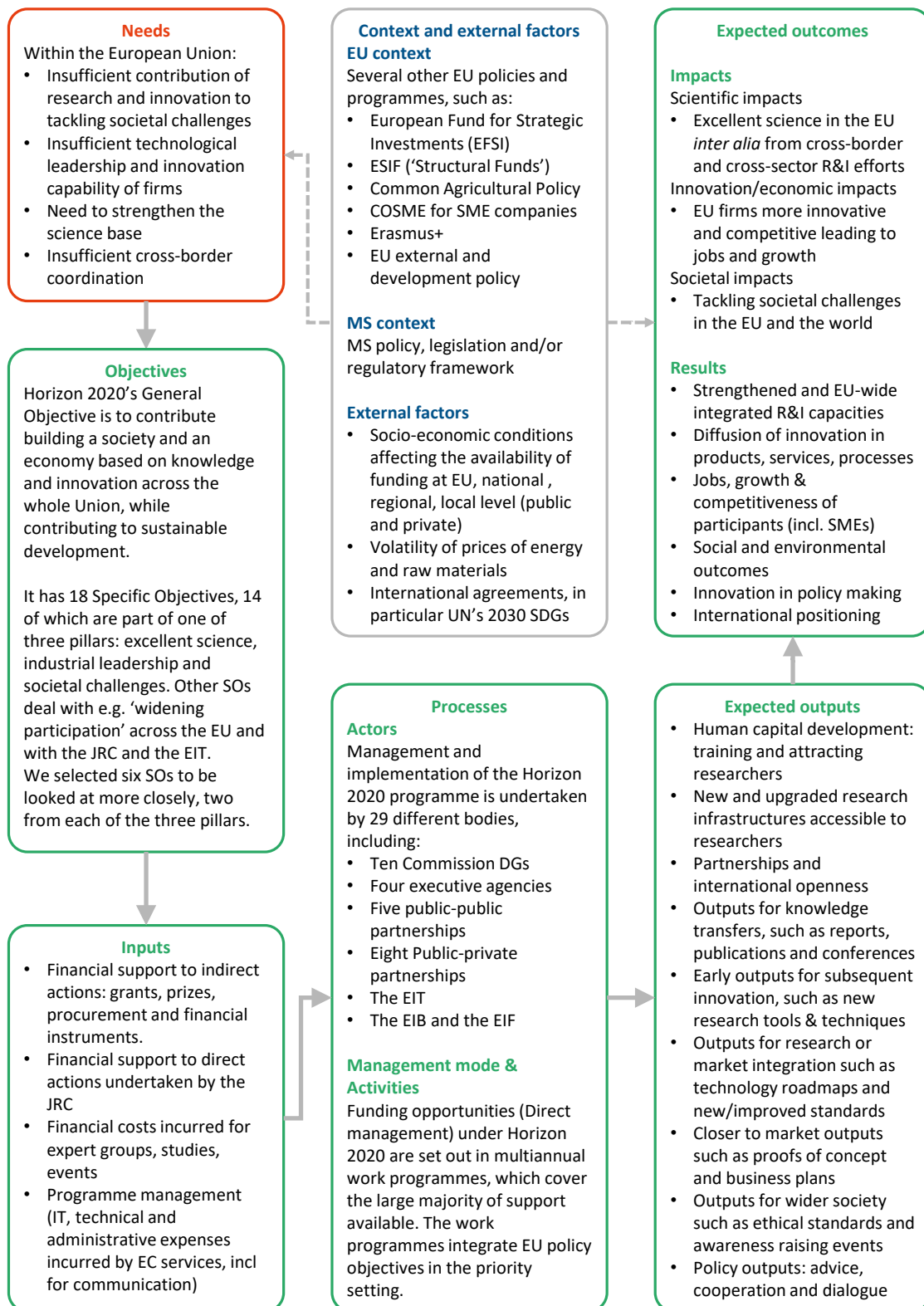
**Table 2.1 – Selected specific objectives Horizon 2020**

Horizon 2020 pillar	Selected specific objective
Excellent science	Specific Objective 1: European Research Council (ERC) - strengthening frontier research
	Specific Objective 3: Marie Skłodowska-Curie actions - strengthening skills, training and career development
Industrial leadership	Specific Objective 5: boosting Europe's industrial leadership through research, technological development, demonstration and innovation
	Specific Objective 7: increasing innovation in small and medium-sized enterprises (SMEs)
Societal challenges	Specific Objective 8: improving the lifelong health and wellbeing of all
	Specific Objective 10: making the transition to a reliable, affordable, publicly accepted, sustainable and competitive energy system

Source: Regulation (EU) No 1291/2013 and [programme statements for the 2021 draft budget](#).

**2.9.** [Figure 2.2](#) provides a succinct overview of Horizon 2020 and its background, based on the relevant legislation and Commission documents.

Figure 2.2 – Overview of Horizon 2020

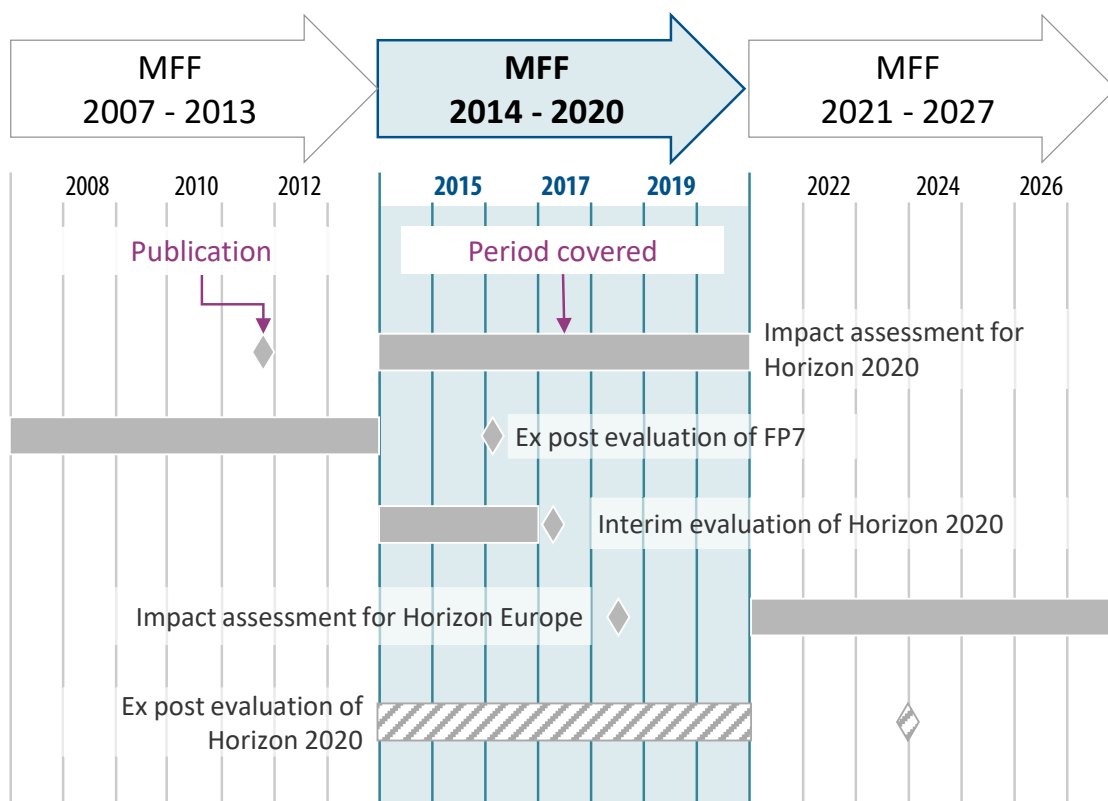


Source: ECA on the basis of *intervention logic* as presented in SWD(2017) 220 and on the basis of COM(2019) 400 (programme statements of operational expenditure).

## Published performance information

**2.10.** In addition to the usual annual reporting on performance through *Annual Management and Performance Report* (AMPR), *programme statements* and the *Annual Activity Report* (AAR) (see paragraph 1.3), the Commission made the following evaluation reports available relating to Horizon 2020 (see [Figure 2.3](#)). Monitoring data, including *input* and *output* indicators, are available to the public through the Commission's online Horizon Dashboard. The Monitoring Flash<sup>1</sup> series complements the dashboard data with detailed analyses of key aspects of Horizon 2020.

**Figure 2.3 – Timing of the main evaluations and periods covered**



Source: ECA (on the basis of Commission documents).

<sup>1</sup> [https://ec.europa.eu/info/publications/horizon-2020-monitoring-flash\\_en](https://ec.europa.eu/info/publications/horizon-2020-monitoring-flash_en)

## Assessing performance of Horizon 2020 based on published performance information

### General comments

**2.11.** *Figure 2.4* provides an overview of all the Horizon 2020 indicators included in the programme statement. *Figure 2.5* presents indicators linked to the Horizon 2020 general objective. More detailed overviews (per Horizon 2020 pillar) are presented in *Figure 2.6*, *Figure 2.7*, and *Figure 2.8*. In paragraph 1.24 we discuss some general limitations<sup>2</sup> applying when interpreting these indicators. In particular, our assessment whether a given indicator is ‘on track’ relates to the likelihood of this indicator meeting its target. This assessment does not take into account whether, and how closely, a given indicator is linked to Horizon 2020 actions and objectives, nor whether the target set for this indicator is adequately ambitious. Therefore, it is only a first step in analysing Horizon 2020 performance. We have also not audited the reliability of the underlying data, but we discuss it in chapter 1 (see paragraphs 1.13-1.23).

**2.12.** Two of the indicators for the programme’s general objective are: “The Europe 2020 R&D target (3 % of GDP)” and “Share of researchers in the EU active population”. Both indicators are context indicators and do not measure the outcome of Horizon 2020 as such. The share of researchers in the EU active population is on track of reaching the target of 1,33 %, with the most recent value being 1,23 %. However, the Europe 2020 R&D target is not on track as the most recent actual *result* is 2,12 %<sup>3</sup>. Non-attainment of the Europe 2020 R&D target underlines the relevance of R&I funding programmes such as Horizon 2020.

---












































<sup>2</sup> See also paragraphs 3-21-3.35 of the 2018 annual report.

<sup>3</sup> ECA special report 16/2020: ‘The European Semester – Country Specific Recommendations address important issues but need better implementation’.

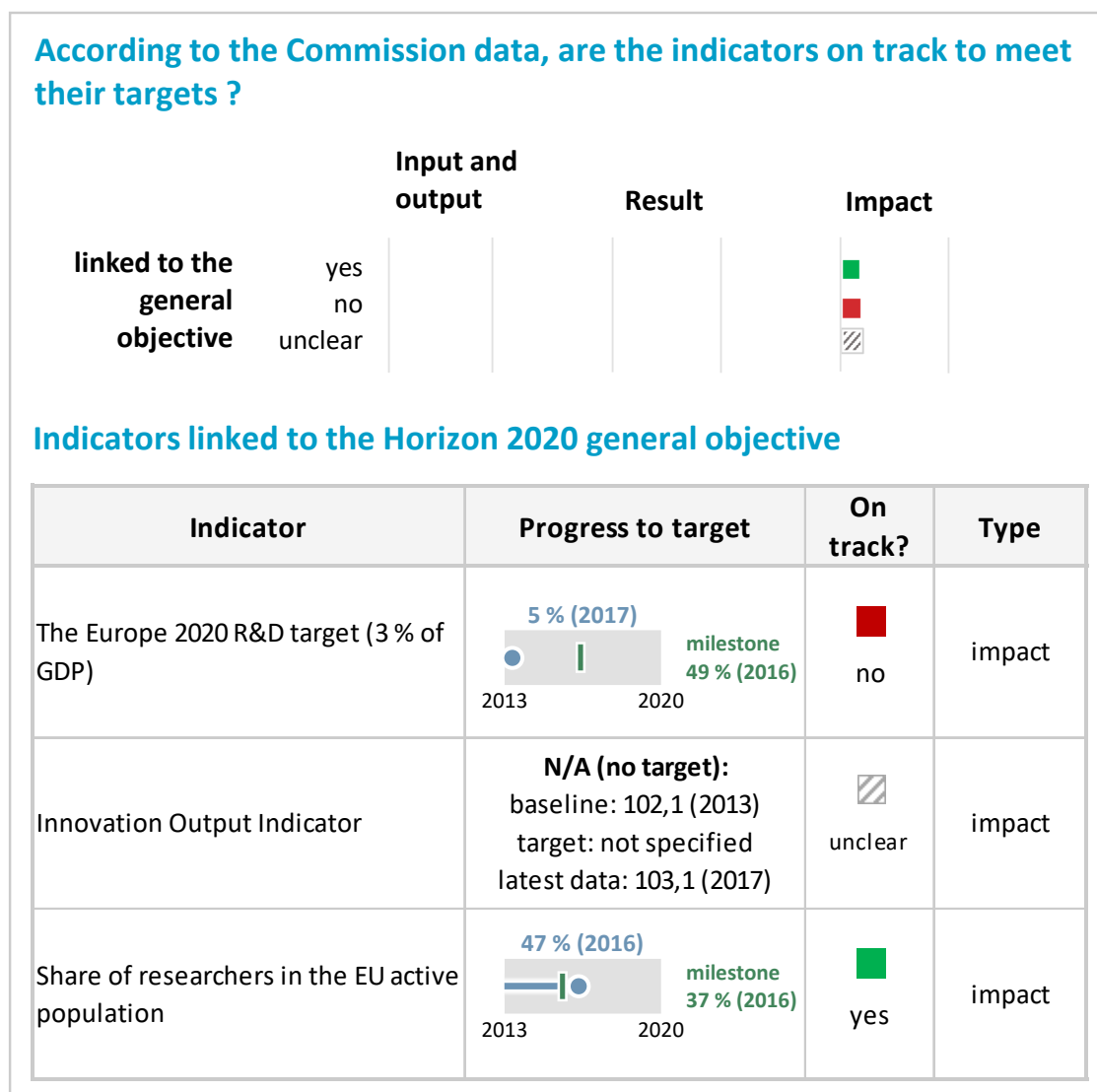


**Figure 2.4 – Overview of all Horizon 2020 indicators in the programme statement**

According to the Commission data, are the Horizon 2020 indicators on track to meet their targets ?

	Input and output	Programme outcome indicators	
		Result	Impact
general objective			  
Pillar 1: 'Excellent science'	    		
Pillar 2: 'Industrial leadership'	   	   	
Pillar 3: 'Societal challenges'	                         		

**Figure 2.5 – Overview of indicators linked to Horizon 2020 general objective**



Source: ECA, based on programme statements for the 2021 draft budget.

**2.13.** 14 indicators are on track, while 17 are not. This is based on our analysis of the information in the programme statement, which shows that target values are to be achieved by 2020. However in reality, actions financed under Horizon 2020 will not be finished until a few years after 2020.

## Simplification contributes to efficiency

**2.14.** Horizon 2020 has several changes compared to its predecessor aimed at simplification, thereby increasing the programme's efficiency. In 2018, we published a special report<sup>4</sup> on these Horizon 2020 simplification measures (see [Box 2.1](#)). Also, by making use of executive agencies for the operational implementation of the programme the efficiency has increased<sup>5</sup>.

### Box 2.1

#### Our view on Horizon 2020's simplification measures

In special report No 28 of 2018 we assessed the simplification measures.

We concluded that the “[t]he majority of simplification measures taken by the Commission have been effective in reducing the administrative burden for beneficiaries in Horizon 2020, although not all actions produced the desired result and opportunities to improve still exist”. Our survey of beneficiaries also yielded interesting insights as they expressed the need for more user-friendly guidance and tools. The beneficiaries also encouraged the Commission to further explore the use of new funding schemes such as *lump-sums*. In addition, the audit highlighted that frequent modifications to rules lead to uncertainty and *errors* in cost claims by beneficiaries.

Subsequent to our special report and the interim evaluation, the Commission reports that it has introduced further steps towards simplification through more outreach to stakeholders, the development of more user-friendly guidance and tools and increased use of lump-sum financing.

<sup>4</sup> ECA special report 28/2018 ‘The majority of simplification measures brought into Horizon 2020 have made life easier for beneficiaries, but opportunities to improve still exist’.

<sup>5</sup> Commission’s ‘In-depth interim evaluation of Horizon 2020’ SWD(2017) 220 final, p. 48.

## Cross-border collaboration in the field of research provides added value

**2.15.** The design and set-up of Horizon 2020 as a programme with a strong focus on collaborative, cross-border research and innovation gives it a distinct added value over funding at the national level. This is also testified by the fact that non-member states have decided to opt-in to become an associated country of the programme<sup>6</sup>. The higher level of competition for *grants* and the cooperation enable considerable scientific progress and innovation.

## Horizon 2020's popularity means that good proposals may be turned down

**2.16.** Horizon 2020's attractiveness is clear from its popularity. However, only 12 % of the eligible proposals receive a grant<sup>7</sup>, which means that the considerable efforts in drafting project proposals often bear no fruit and that even good project proposals receive no funding, resulting in lost opportunities.

**2.17.** Project proposals under the SME instrument and Marie Curie-Actions (MSCA) that Horizon 2020 cannot fund due to budget constraints<sup>8</sup> receive a 'Seal of excellence'. The Seal should help applicants to obtain funding from other schemes. The Seal is also intended to reinforce coherence since it creates a stronger link between Horizon 2020 and other funding schemes. However, this initiative has not yet been universally picked up and national funding schemes do not widely recognise the Seal<sup>9</sup>.

---

<sup>6</sup> Commission's 'In-depth interim evaluation of Horizon 2020', SWD(2017) 220 final.

<sup>7</sup> 'Annual Management and Performance Report for the EU Budget, financial year 2018', p. 33.

<sup>8</sup> Figures obtained from 'Horizon Dashboard'.

<sup>9</sup> ECA special report 28/2018, 'The majority of simplification measures brought into Horizon 2020 have made life easier for beneficiaries, but opportunities to improve still exist', p. 38.

### Three-pillar structure benefits Horizon 2020's coherence

**2.18.** Coherence means that Horizon 2020's parts work well together and that there are complementarity and synergies with other EU and national policies and funding. The three-pillar structure benefits the internal coherence<sup>10</sup> of the programme. Improvement is possible where it comes to rationalise the multitude of EU funding instruments for research and innovation so beneficiaries have a better overview of possible EU funding and which instrument suits them. Also, the alignment with funding and policies at the level of the member states can be further improved<sup>11</sup>.

### Measuring the effectiveness of research and innovation is difficult

**2.19.** Horizon 2020's effectiveness is linked to the results and *impacts* of the funded projects. Research and innovation activities will only have a real impact when the results are disseminated and put to actual use. There is a time-lag between the finalisation of a research project and the dissemination and exploitation of its results. It is also subject to external factors<sup>12</sup>. Whereas results and impacts are mostly not yet realised or measurable, some of the outputs as measured by the indicators show progress towards reaching the programme's objectives. The 2019 AMPR does not give an overview of the programme's effectiveness in the form of achievements. The *Programme performance overview* (PPO) gives more detailed information and succinctly discusses the performance of each of Horizon 2020's pillars by referring to some of the information shown by the indicators.

---

<sup>10</sup> Commission's 'In-depth interim evaluation of Horizon 2020', SWD(2017) 220 final.

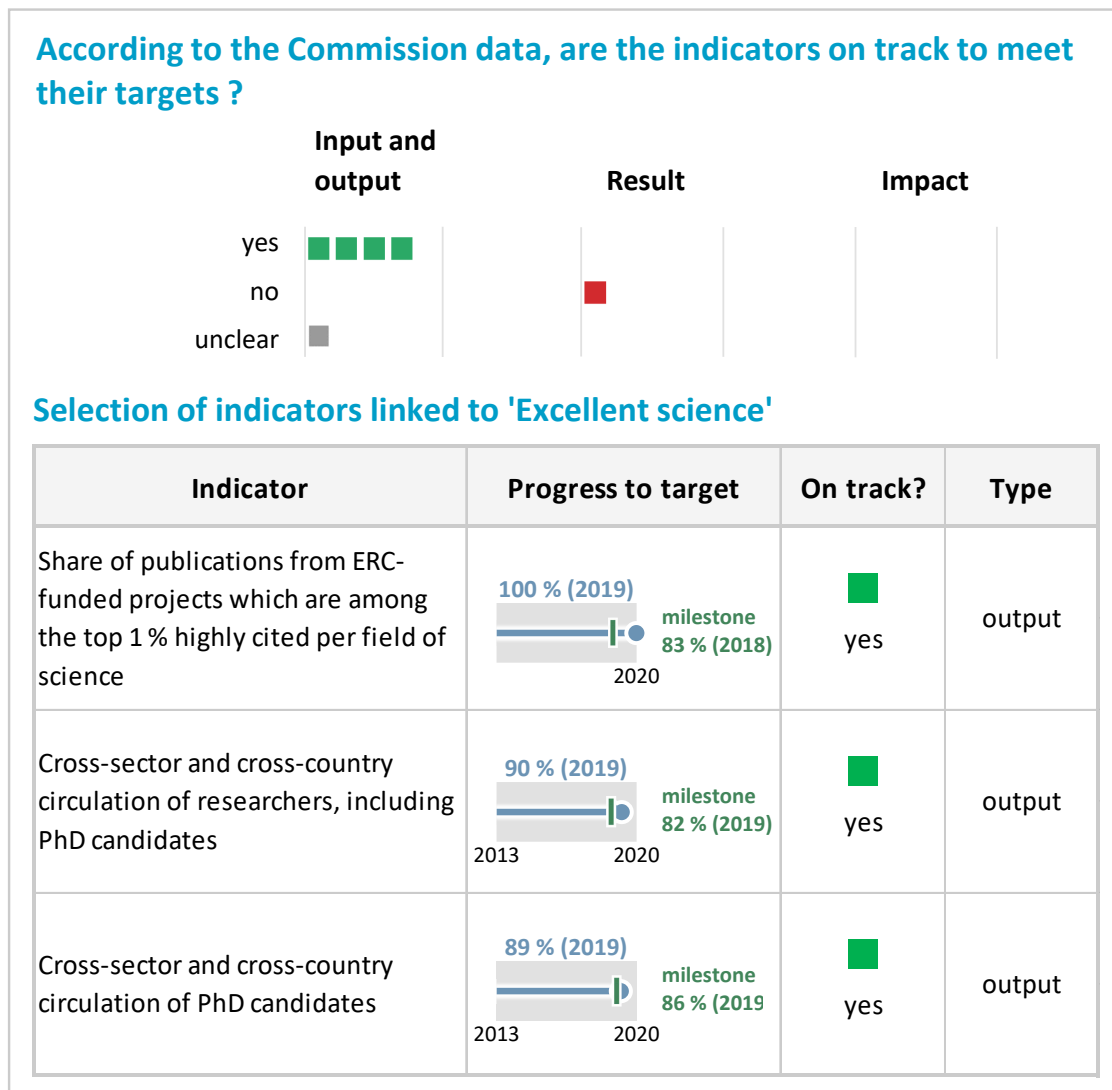
<sup>11</sup> Commission's 'In-depth interim evaluation of Horizon 2020', SWD(2017) 220 final, p. 171.

<sup>12</sup> Commission's 'In-depth interim evaluation of Horizon 2020', SWD(2017) 220 final, p. 13.

## Excellent science

**2.20.** *Figure 2.6* provides an overview of the indicators from the programme statement linked to the pillar on excellent science.

**Figure 2.6 – Overview of indicators linked to excellent science**



Source: ECA, based on programme statements for the 2021 draft budget.

**2.21.** Within the pillar on excellent science the support through the European Research Council (ERC) is oriented towards more established researchers with a focus on more fundamental research. The Marie Curie-Actions (MSCA) on the other hand predominantly give support to early career researchers. The indicator for ERC shows that the programme is performing well. The MSCA also shows good values for its indicators: from the start of the programme 58 200 researchers have enjoyed cross-sector and cross-border mobility, allowing them to conduct research abroad or temporarily in other organisations, thanks to its support.

#### **Support to excellence and mobility benefit European research**

**2.22.** Since ERC is mostly funding fundamental research the time before results and impacts materialise can be especially long. Outputs in the form of scientific publications and breakthroughs nevertheless show that the ERC is delivering. Pan-European competition is intended to allocate grants to projects where excellent research can be conducted, albeit at the expense of even geographical distribution<sup>13</sup>. The MSCA enables researchers to have a mobility experience which benefits both the individual researchers as well as the research organisations involved and the European research system as a whole<sup>14</sup>.

#### **Horizon 2020 adds value through the uniqueness and pan-European character of the support it provides**

**2.23.** ERC and MSCA are so distinctive in their focus and scale that few overlaps exist inside or outside the programme. As they are not like actions organised at national level they have a distinct added value. Pan-European competition and mobility also constitute added value<sup>15</sup>.

---

<sup>13</sup> Annex 2 of Commission's 'In-depth interim evaluation of Horizon 2020', SWD(2017) 221 final, p. 56.

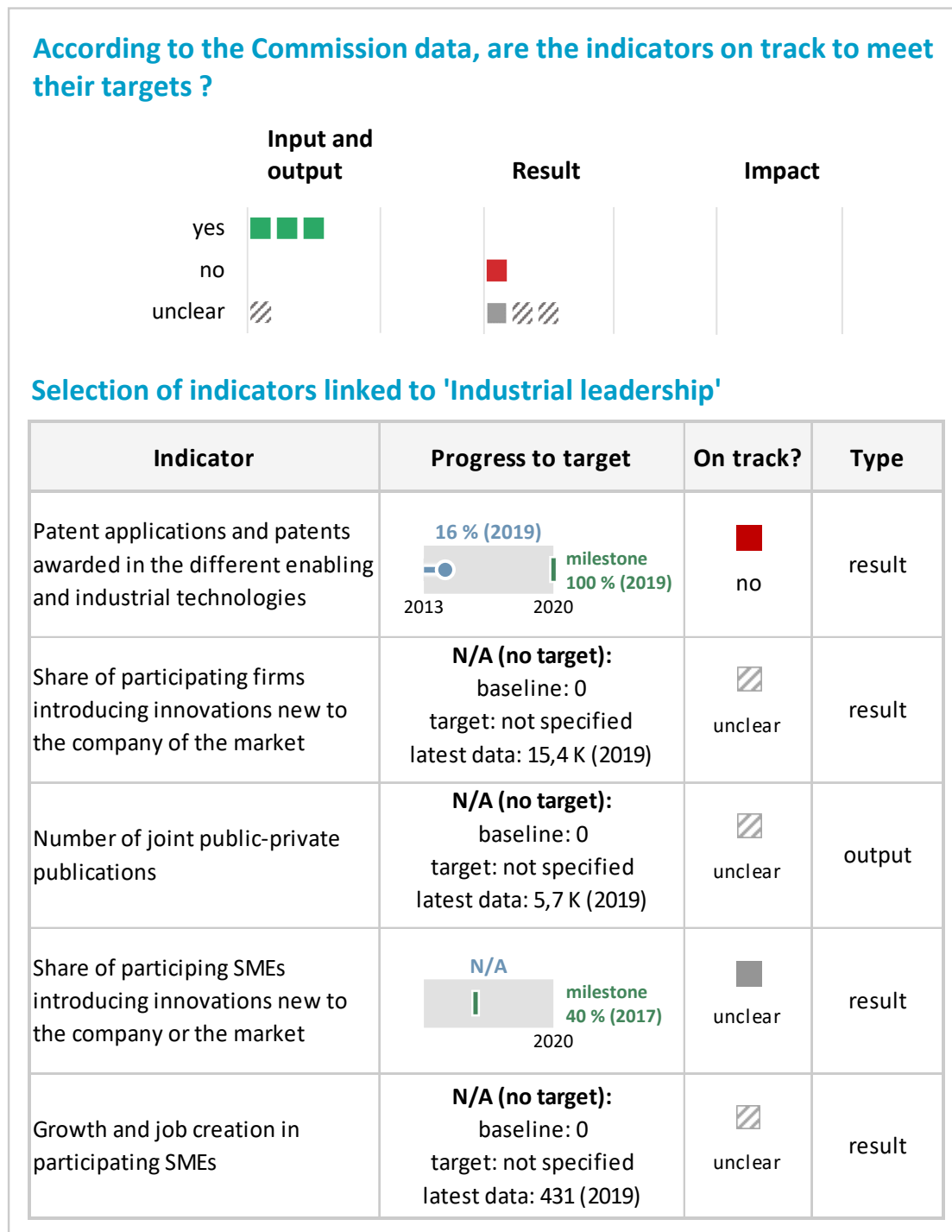
<sup>14</sup> Annex 2 of Commission's 'In-depth interim evaluation of Horizon 2020', SWD(2017) 221 final, p. 176.

<sup>15</sup> Annex 2 of Commission's 'In-depth interim evaluation of Horizon 2020', SWD(2017) 221 final, p. 68, p. 71, p. 177.

## Industrial leadership

**2.24.** *Figure 2.7* provides an overview of the indicators from the programme statement linked to the pillar on industrial leadership.

**Figure 2.7 – Overview of indicators linked to industrial leadership**



Source: ECA, based on programme statements for the 2021 draft budget.



**2.25.** Specific objective 5 relates to Europe's industrial leadership through research, technological development, demonstration and innovation in a number of enabling and industrial technologies. The programme statement shows that the programme is not on track to achieve its target with regard to patent applications. The programme statement also gives information on patents awarded, which is a better measure for performance, but no targets or milestones are given.

**2.26.** Another indicator for this objective is the “share of participating firms introducing innovations new to the company or the market”. Because the programme statement mentions neither milestones nor a target for this indicator, it cannot be used to assess whether the programme is on track, thereby lowering this indicator’s usefulness.

#### **Innovation support is popular, although SMEs face barriers**

**2.27.** The actions under industrial leadership fund research and innovation aimed at enabling technologies. Such technologies underpin subsequent innovations and therefore it takes time for the funding to materialise in results and impacts. Overall, the actions are characterised by good market orientation and are popular with a high number of applicants, including SMEs. Support to Innovation by SMEs is a specific objective within industrial leadership, although SMEs can participate and get funding under other specific objectives as well. However, in our special report on Horizon 2020 simplification<sup>16</sup> we found that the SMEs face barriers in the application process and burdens in the implementation of projects due to complex rules, for instance when reporting costs.

#### **Distinct EU added value through critical mass**

**2.28.** When it comes to funding research and innovation projects in the field of industrial leadership Horizon 2020 allows for a critical mass that enables projects of a larger scale to be set-up. Projects consist of multiple participants, such as businesses, research organisations and universities, from multiple countries and thus can bring together the needed knowledge and expertise, which might not be all be available in one country<sup>17</sup>.

---

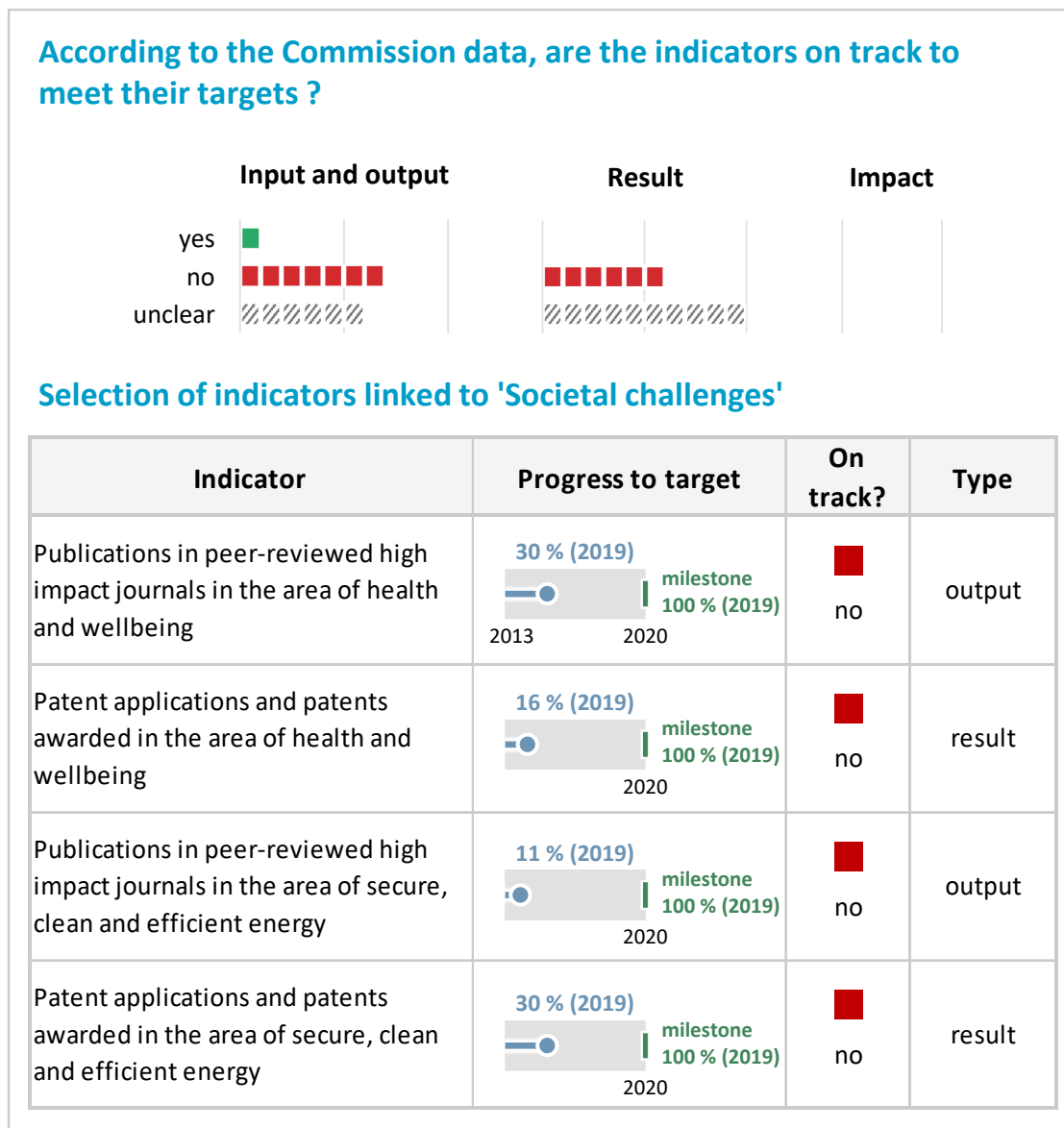
<sup>16</sup> ECA special report 28/2018, ‘The majority of simplification measures brought into Horizon 2020 have made life easier for beneficiaries, but opportunities to improve still exist’.

<sup>17</sup> Annex 2 of Commission’s ‘In-depth interim evaluation of Horizon 2020’, SWD(2017) 221 final, p. 290, p. 358, p. 427.

## Societal challenges

**2.29.** *Figure 2.8* provides an overview of the indicators from the programme statement linked to the pillar on societal challenges.

**Figure 2.8– Overview of indicators linked to societal challenges**



Source: ECA, based on programme statements for the 2021 draft budget.

**2.30.** The pillar on societal challenges concerns seven different fields. The first two indicators in [Figure 2.8](#) concern health and wellbeing. The value for the target is mentioned under the heading for the year 2020, but should actually be understood to be attained “[...] when the last actions financed under Horizon 2020 will be finished”. Furthermore, the programme statement mentions that “[t]argets are for whole Societal challenges pillar (Specific objectives: 8-14) and not per each individual specific objective”, thereby making the comparison between actual value and target value meaningless.

### **Providing an answer to societal issues**

**2.31.** Horizon 2020’s pillar on societal challenges explicitly addresses issues in fields such as lifelong health and wellbeing and sustainable energy. Commission evaluations concluded that this pillar has an overall high relevance by directing funding towards research and innovation aiming to tackle issues society is confronted with<sup>18</sup>. The actions with regard to societal challenges focus on projects at “higher technology-readiness-levels”, meaning the technologies are closer to result in practical applications, and thus complement well the more fundamental research. However, the longer term answer to societal challenges would also require more basic research in this field<sup>19</sup>. Overall, the European projects complement well the national efforts<sup>20</sup>.

### **Results of performance testing of transactions**

**2.32.** We assessed the Commission’s reporting on the performance of 62 Horizon 2020 projects. 26 of these projects had already been completed. We did not directly assess the quality of the research undertaken or the projects’ impact in terms of achieving the policy objective of improving research and innovation.

---

<sup>18</sup> Commission’s ‘In-depth interim evaluation of Horizon 2020’, SWD(2017) 220 final, p. 31.

<sup>19</sup> Commission’s ‘In-depth interim evaluation of Horizon 2020’, SWD(2017) 220 final, p. 170.

<sup>20</sup> Annex 2 of Commission’s ‘In-depth interim evaluation of Horizon 2020’, SWD(2017) 221 final, p. 656, p. 813.

**2.33.** For each project, we reviewed several reports including the assessment report which the Commission's Project Officer completes as part of the checks before reimbursement of the declared costs. Where possible we also inquired with the *beneficiary* on performance of the project.

**2.34.** All 62 projects we assessed fit the programme's objectives and the applicable work programme. Most projects are linked to only one specific objective with the exception of three projects that are linked to two specific objectives. However, we assess that another 22 projects linked to one specific objective contribute to one or more additional specific objectives. This is for example often the case for ERC projects (belonging to SO1) or MSCA projects (belonging to SO3), but which can also contribute to one of the objectives from Societal challenges on the basis of the research topic. By only reporting the results of the project, such as scientific publications, under one specific objective, double-counting is avoided, but it leads to an underreporting of the Union's contribution to these other research fields.

**2.35.** According to the Commission's reports, most projects had achieved their expected output and results. However, the Commission's reports also revealed that several projects had been affected by issues that detracted from their performance:

- in five cases, reported progress was only partly in line with the objectives agreed with the Commission;
- in seven cases, the dissemination of project outputs and results had been only partly performed in accordance with the grant agreement.

## Conclusions

**2.36.** The information available is too limited to be able to fully assess the performance of Horizon 2020 at the end of 2019, the penultimate year of the *programming period*. One major reason is the inherent characteristic of research and innovation funding that there is a considerable time-lag between funding of projects and results and impacts to materialise. Furthermore, a majority of projects will still be ongoing at the end of 2020 (see paragraph [2.13](#)). The indicators have to be interpreted with caution and some lack target values (see paragraph [2.11](#)). This makes obtaining an overview of performance difficult. The most recent and complete picture of performance is given in the interim evaluation, dating from May 2017, in which quantitative data is combined with qualitative data (see paragraph [2.10](#)).

**2.37.** Although the information available is limited, there are no indications that performance is at risk and examples of successful projects are plentiful. Information on efficiency of Horizon 2020 is not extensively presented, but the related issue of simplification is (see paragraph [2.14](#)). Horizon 2020's budget is insufficient to finance all eligible project proposals due to oversubscription (see paragraphs [2.16-2.17](#)).

**2.38.** In contrast to effectiveness, information on the programme's relevance, coherence and EU added value is available to a considerable degree. There is a strong case that Horizon 2020 is relevant, as it is addressing the needs it is supposed to address (see paragraphs [2.23](#), [2.28](#), [2.31](#)). The EU added value is another strong point of the programme, as argued by many of the evidence sources (see paragraph [2.15](#)). When it comes to coherence, Horizon 2020 shows it is well-aligned internally and with other programmes and policies, but at the same time leaves room for improvement (see paragraph [2.18](#)).

**2.39.** The AMPR addresses the performance of Heading 1a only in a very general manner. It does for instance not deal with the programmes separately. Information on Horizon 2020's performance is limited to examples of successful projects and interpretation of indicator data is not given. The PPO, an annex to the AMPR, offers more information, although still at a high level of aggregation (see paragraph [2.19](#)).

# EFSI

## The purpose and functioning of EFSI

**2.40.** The European Fund for Strategic Investments (EFSI) was set up in 2015 as pillar one of the ‘Investment Plan for Europe’<sup>21</sup>. The plan was designed to tackle the investment gap that emerged following the financial and economic crisis, which began in 2008. The European Council of 18 December 2014 concluded that ‘fostering investment and addressing market failure in Europe is a key policy challenge’. EFSI intends to provide *additionality* by addressing market failures or sub-optimal investment situations and typically target projects with a higher risk profile, and ‘which could not have been carried out in the period during which the EU guarantee can be used, or not to the same extent, by the EIB, the EIF or under existing Union *financial instruments* without EFSI support’.

**2.41.** *Figure 2.9* provides a conceptual overview of EFSI and its background, based on the relevant legislation and Commission documents.

**2.42.** EFSI is backed by an EU guarantee. Financing operations are managed by the European Investment Bank (EIB) Group. The EIB is responsible for the Infrastructure and Innovation Window (IIW) and the *European Investment Fund* (EIF) for the Small and Medium sized Enterprises Window (SMEW).

**2.43.** The Programme was amended by Regulation (EU) 2017/2396<sup>22</sup> (so called “EFSI 2.0”), increasing the target investment mobilised amounts and extending the investment period to December 2020 for approval of *transactions* for final contracts to be signed no later than the end of December 2022. It also enhanced the focus on additionality.

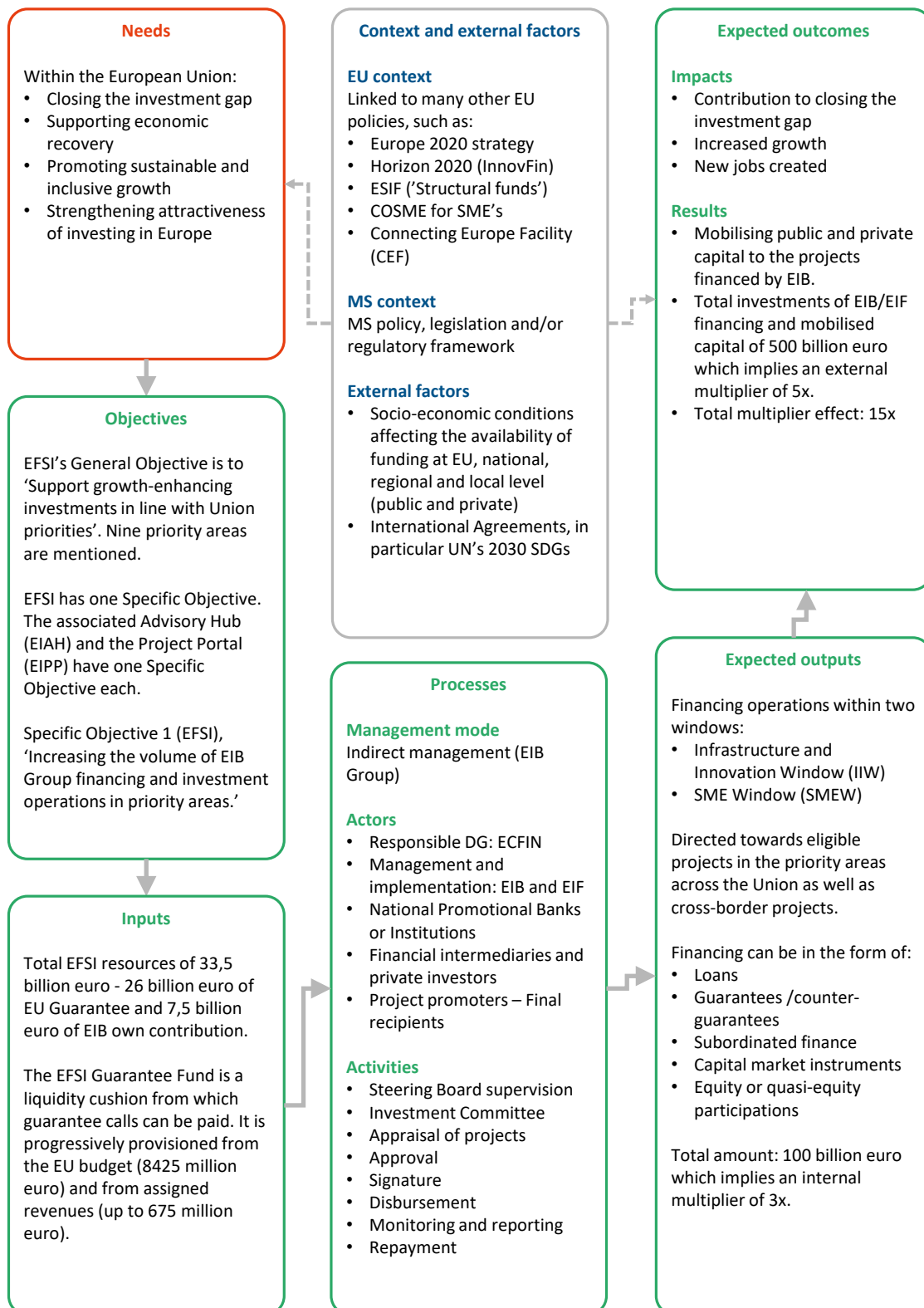
---

<sup>21</sup> Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 — the European Fund for Strategic Investments.

<sup>22</sup> Regulation (EU) 2017/2396 of the European Parliament and of the Council of 13 December 2017 amending Regulations (EU) No 1316/2013 and (EU) 2015/1017 as regards the extension of the duration of the European Fund for Strategic Investments as well as the introduction of technical enhancements for that Fund and the European Investment Advisory Hub.

**2.44.** The EU guarantee enables the EIB to finance operations with an overall higher risk profile than its standard portfolio. The aim is to achieve a total *multiplier effect* of investments worth 15 times the EFSI contribution (EU guarantee and the EIB contribution) (15x). The EFSI contribution is expected to be on average leveraged by a 3x internal multiplier through EIB group financing, multiplied further by an average 5x external multiplier of other- private and/or public – financing.

Figure 2.9 – Overview of EFSI



Source: ECA, based on Regulation (EU) 2015/1017, Regulation (EU) 2017/2396, programme statements for the 2020 draft budget and COM(2018) 497 final.



**2.45.** EFSI has one general objective and one specific objective<sup>23</sup>. The general objective is 'Supporting growth-enhancing investments in line with Union priorities and the specific objective is 'Increasing the volume of EIB Group financing and investment operations in priority areas'.

**2.46.** At the end of 2019 the exposure of the EU budget to possible future payments in relation to the EFSI guarantee amounted to 21,9 billion euros. The payments from the EU budget go mainly to the EFSI Guarantee Fund which is a liquidity cushion from which the EIB shall be paid in the event of a call on the EU guarantee. The resources of the Fund are managed by the Commission. At the end of 2019, an amount of 6,5 billion euros was recorded as payments to the EFSI EU Guarantee Fund<sup>24</sup>. At that time the Fund amounted to 6,7 billion euros. No significant calls had been made on the guarantee by then<sup>25</sup>.

## Published performance information

**2.47.** In addition to the usual annual reporting on performance through the AMPR, programme statements and the AAR (see paragraph 1.3), the Commission and EIB have carried out the following performance evaluations in accordance with the EFSI Regulation<sup>26</sup> (see [Figure 2.10](#)). The Commission also contracted out an external evaluation completed in 2016.

---

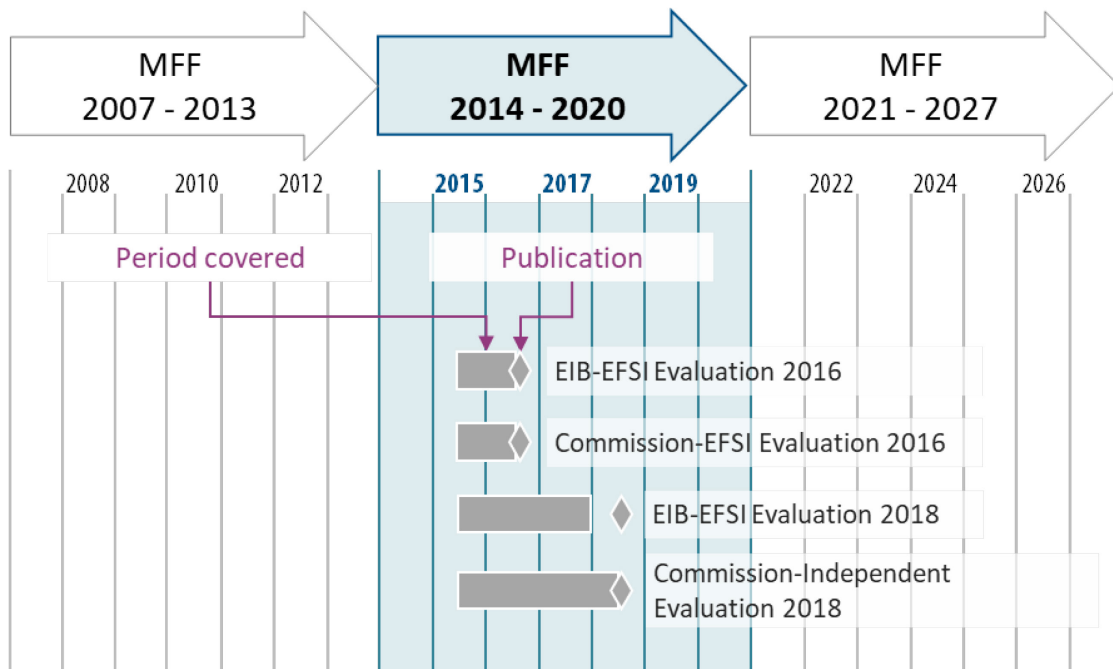
<sup>23</sup> As stated in the [programme statements for the 2020 draft budget](#).

<sup>24</sup> Based on MFF Financial data provided by DG BUDG.

<sup>25</sup> ECA 2018 and 2019 annual reports, Chapter 2 "Budgetary and financial management".

<sup>26</sup> [Regulation \(EU\) 2015/1017, Article 18](#).

**Figure 2.10 – Timing of the main evaluations and periods covered**



Source: ECA.

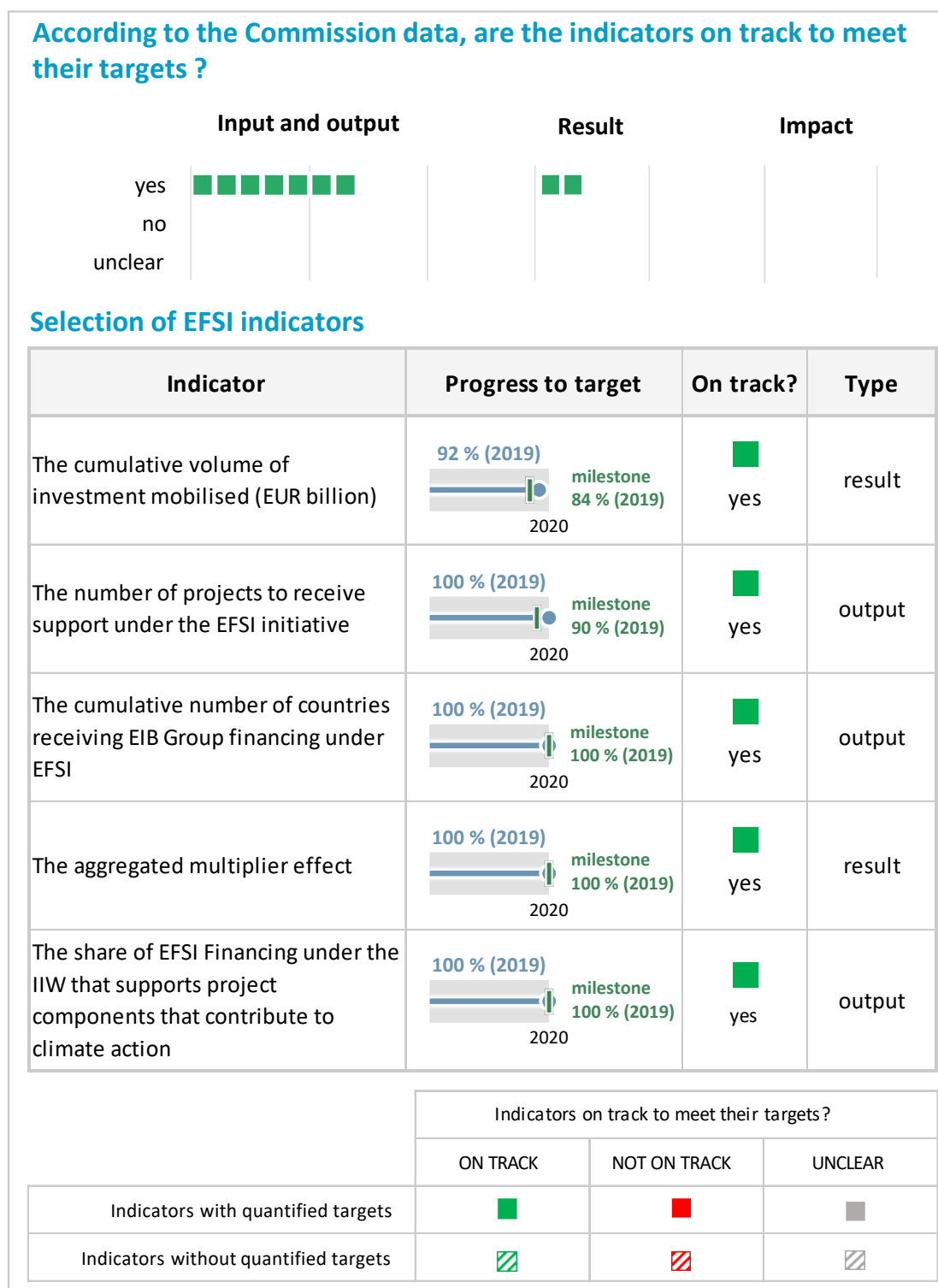
## Assessing the performance of EFSI, based on published performance information

**2.48.** *Figure 2.11* provides an overview of all the EFSI indicators included in the programme statements. In paragraph 1.24 we discuss some general limitations<sup>27</sup> when interpreting these indicators. In particular, our assessment whether a given indicator is 'on track' relates to the likelihood of this indicator meeting its target. This assessment does not take into account whether, and how closely, a given indicator is linked to the EFSI actions and objectives, nor whether the target set for this indicator is adequately ambitious. Therefore, it is only a first step in analysing EFSI performance. We have also not audited the reliability of the underlying data, but we discuss it in chapter 1 (see paragraphs 1.13-1.23).

**2.49.** The programme statement includes five indicators for EFSI. We conclude that these are 'result' and 'output' indicators.

<sup>27</sup> See also paragraphs 3.21-3.35 of the 2018 annual report.

Figure 2.11 – Overview of all EFSI indicators in the programme statement



*Note:* Our analysis is based on Commission data that we have not audited.

The above illustration of whether indicators are ‘on track’ relates to our assessment of the probability that a given indicator will reach its target. However, an indicator may not be affected by the actions implemented under the programme, or it may not be relevant to the programme’s objective – and its target may not reflect adequate ambition. Therefore, the fact that an indicator is ‘on track’ to meet its target does not necessarily mean that the programme itself is on track to meet its objectives. See also the **Appendix** (point 18).

*Source:* ECA, based on programme statements for the 2021 draft budget.

**2.50.** We note that the programme is on track to reach its targets. EFSI aims at mobilising investments in a number of areas across the EU by providing finance for a higher risk portfolio of projects than those supported by standard EIB operations. The performance information available provides details on mobilised investments of approved operations, number of approved projects, multiplier effects and Member States coverage. However, none of the five indicators follow-up the risk level or penetration of the key areas outlined in the general objective.

**2.51.** For the two *result indicators* it should be noted that the data are partly based on estimates which are updated during the course of the programme. The indicators will only be definitive at the completion of the investments. In addition, ECA opinion 2/2016 pointed out that the calculation of the aggregated multiplier effect indicator assumes nil investment without EFSI and invited the methodology for its calculation to be revised<sup>28</sup>. We note that both the EIB and EIF EFSI multiplier methodologies have since undergone updates for the purpose of ensuring that only incremental investment mobilised counts towards the EFSI targets<sup>29</sup>.

**2.52.** Some indicators now have reduced monitoring value. One of the output indicators: *the cumulative number of countries having received EIB financing (signed operations)* was achieved by 2016, in the second year of the programme. Another output indicator counts projects that have received EFSI support and was achieved in 2018 when it passed 1 000 projects.

**2.53.** It should be noted that the indicators do not measure the progress of the specific objective as such, which is to increase EIB volumes, in particular of riskier operations. Whereas the specific objective takes into account the total of EIB group operations, the indicators are confined to EFSI operations.

**The EFSI-financed projects have an estimated investment mobilised close to the target but is not always attributable only to EFSI**

**2.54.** EFSI is on track to reach the target of mobilising 500 billion euros of investment. At the end of 2019, a year before the deadline, the EIB Group had approved transactions of 84,2 billion euros and estimated related investment of

---

<sup>28</sup> OJ C 465, 13.12.2016, p. 1.

<sup>29</sup> EIB, EFSI Multiplier methodology calculation, update of July 2018 and EIF, EFSI Multiplier calculation methodology, update of January 2019.

458 billion euros, which is ahead of the target considering that 82 % of the duration of the programme had passed<sup>30</sup>.

**2.55.** The estimated total ‘related investments’ implies an external ‘multiplier effect’ above the expected 5x, indicating an overall multiplier of the targeted 15x (see paragraph 2.44). In our 2019 special report on EFSI we concluded<sup>31</sup> that EFSI had been effective in raising finance to support substantial additional investments but had overstated in some cases the extent to which EFSI had actually led to additional investment in the real economy. The evaluation of EFSI and our special report have also highlighted that the entire volume of financing cannot be attributed only to EFSI.

**EFSI provided capital where the market would not have, but the market could nevertheless have accommodated some EFSI investments**

**2.56.** Although the annual lending of EIB decreased in 2015-2017, which coincided with the ‘EFSI period’, it should be noted that the lending is higher than for the preceding two three-year periods (2009-2011 and 2012-2014), during which the EIB Group received extra contributions with a view to tackle the financial and sovereign debt crisis. Compared to the annual lending preceding that crisis the average is significantly higher in the ‘EFSI-period’, thus meeting the specific objective of increasing the volumes of financing operations.

**2.57.** In addition, according to the EIB EFSI report 2019<sup>32</sup>, the bulk of EFSI transactions are so-called ‘special activities’, which by definition carry a higher risk than normal EIB operations. The volume of new such activities signed in 2019 was 15 billion euros, around 25 % of total EIB lending that year, whereas the pre-EFSI level was below 10 %.

---

<sup>30</sup> 2019 EFSI report, ‘From the European Investment Bank to the European Parliament and the Council on 2019 EIB Group Financing and Investment Operations under EFSI’, p. 35.

<sup>31</sup> ECA special report 03/2019 ‘European Fund for Strategic Investments: Action needed to make EFSI a full success’, paragraph 81.

<sup>32</sup> 2019 EFSI report, From the European Investment Bank to the European Parliament and the Council on 2019 EIB Group Financing and Investment Operations under EFSI, p. 35.

**2.58.** The Commission independent evaluation noted that a range of new, riskier products had been introduced since EFSI was launched, for example equity and risk-sharing instruments with financial intermediaries under IIW. In addition, existing products have been modified and tailored to new types of counterparties/beneficiaries<sup>33</sup>.

**2.59.** Under the initial EFSI Regulation 'Special activities' were by definition considered to provide additionality (see paragraph 2.40). A 2018 survey shows that 98 % of debt operations and 99 % of equity operations addressed market failures. However, reports show that the market could still have accommodated a share of those investments albeit on less favourable terms<sup>34</sup>. The survey indicates that 67 % of IIW operations and 76 % of SMEW would not have taken place without EFSI.

**2.60.** The evaluation also concluded that stakeholders consider that EU level financial instruments add to national resources where national resources alone would not be capable of addressing financing gaps. Another important aspect is the 'signalling effect' of EIB/EIF participation which helped attract in particular higher risk finance. EU support has in many cases been key to convincing financial intermediaries to go ahead with higher risk projects<sup>35</sup>.

**2.61.** The higher risk projects are in line with the aim of the Regulation and they are meant to ensure additionality of the programme. This link has been maintained but additionality criteria have been enhanced by EFSI 2.0<sup>36</sup>. It is now considered that 'special activity' (of higher risk) is a strong indicator of additionality but requires further justification to be considered eligible.

---

<sup>33</sup> [Independent Evaluation of the EFSI Regulation](#), Final Report, ICF in association with external partners, June 2018, p. 55.

<sup>34</sup> [Evaluation of the European Fund for Strategic Investments June 2018](#), EIB, p. 46  
Independent Evaluation of the EFSI Regulation, Final Report, ICF in association with external partners June 2018, p. 90.

<sup>35</sup> [Independent Evaluation of the EFSI Regulation](#), Final Report, ICF in association with external partners, June 2018, p. 100.

<sup>36</sup> Articles 5(1) and 7(12) of [Regulation \(EU\) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations \(EU\) No 1291/2013 and \(EU\) No 1316/2013 — the European Fund for Strategic Investments](#), as amended by Regulation (EU) 2017/2396 of the European Parliament and of the Council of 13 December 2017.

## **EFSI has functioned as reinforcement for some EU programmes but temporarily overlapped with others**

**2.62.** EFSI has reinforced some other EU programmes. This was the case in particular in the SMEW, where EFSI could reinforce the COSME and InnovFin SME Guarantee facilities, benefitting from a pipeline of projects as well as available experience from EIF staff. EFSI provided temporary capital to meet a high demand from financial intermediaries that went beyond the annual budgetary resources. This helped keep up momentum and prevented a “stop and go” while waiting for new budget to be made available. EFSI SMEW subsequently also increased penetration by topping up available resources and this allowed for the launch of new instruments.

**2.63.** There were overlaps in other programmes. Under IIW, demand initially decreased for programmes such as CEF and InnovFin since EFSI to a certain extent covered similar policy areas. The issue was promptly resolved by refocusing these programmes, which took over more defined segments of (risk) finance needs, to avoid overlaps with EFSI, for example by geographical location outside the EU, or projects related to cleaner transport, energy efficiency and digital technical innovation. In our special report on EFSI we encouraged increased complementarity between EU financial instruments and EU *budgetary guarantees*<sup>37</sup>.

## **The Commission has managed the Guarantee Fund applying the principles of *sound financial management***

**2.64.** The bulk of the portfolio in liquid securities and the profile of the portfolio, in terms of duration, credit risk and liquidity, has been calibrated in line with the forecasted cash-flows arising from the EFSI operations under the EU Guarantee (for example projected calls, revenues). In a very challenging market environment characterised by overall negative or historically low yields coupled with significant market volatility and uncertainties, the Fund delivered an annual (absolute) performance of 1,239 % in 2019. This return is in line with the annual performance of the EFSI benchmark (2,302 %)<sup>38</sup>.

---

<sup>37</sup> ECA special report 03/2019 ‘European Fund for Strategic Investments: Action needed to make EFSI a full success’, recommendation 2.

<sup>38</sup> COM(2020) 385 final, p. 6.

### Continuous efforts to improve the EFSI geographical distribution.

**2.65.** Concerns about geographical distribution have been raised by independent evaluations as well as in our special report. At the end of 2019, the EU-15 accounted for 80 % of signed operations whereas *EU-13* only received 10 %. The rest went to the ‘other’ category, in particular to multi-country projects. This issue is also referred to in our 2019 annual report<sup>39</sup>.

**2.66.** EFSI is demand-driven and has a bottom-up approach, responding to applications from project promoters. Moreover, as pointed out by several reports and evaluations<sup>40</sup>, the EU-13 share of total EFSI lending exceeds their economic weight in the Union as measured by GDP and gross fixed capital formation. Finally, the Member States identified as most in need have received a larger share of investments than ‘core countries’<sup>41</sup>.

**2.67.** In response to our special report on EFSI<sup>42</sup>, the Commission and the EIB launched a study<sup>43</sup> which identified a gap between long-term investment needs and investment demand - and thus EFSI uptake - in EU-13, due to different (structural) factors. The EIB Group and the Commission have carried out awareness-raising actions focused on the EU-13 and have launched capacity building and advisory support initiatives<sup>44</sup>. The geographical distribution is mentioned as well in the programme statement for 2021 informing that ‘a set of actions will be implemented until the end of 2020 to improve that situation’.

---

<sup>39</sup> Annual report concerning the financial year 2019, - Chapter 2 "Budgetary and financial management", paragraph 2.41.

<sup>40</sup> [Evaluation of the European Fund for Strategic Investments June 2018](#), EIB, p. 46  
Independent Evaluation of the EFSI Regulation, Final Report, ICF in association with external partners June 2018, p. 90.

<sup>41</sup> [Evaluation of the European Fund for Strategic Investments, June 2018](#), EIB.

<sup>42</sup> [ECA special report 03/2019 ‘European Fund for Strategic Investments: Action needed to make EFSI a full success’](#), recommendation 5.

<sup>43</sup> See e.g. programme statements for the 2021 draft budget.

<sup>44</sup> [EFSI Steering Board \(SB/32/2019\), Response to ECA Audit Recommendation 5: Improving the geographical spread of EFSI supported investments](#), 18 July 2019.



## Conclusions

**2.68.** We conclude that the programme is on track to reach its targets, in particular to mobilise 500 billion euros of investment. Current estimates indicate that the multiplier effect of 15x will be achieved. Past audits and evaluations reported however, that in a few cases EFSI has supported projects that could have been financed from other sources, although under different financing conditions and that multiplier calculations in some cases have been overstated. The Commission and EIB have acknowledged this and have taken action to correct and improve the situation (see paragraphs [2.54-2.59](#)).

**2.69.** We have noted that the indicators do not fully capture the notion of the specific objective that EIB investments should increase overall, and also that important aspects such as risk level and penetration of key areas are not covered (see paragraphs [2.50-2.53](#)).

**2.70.** The issue of geographical distribution between EU-15 and EU-13 has been noted but in relative terms support in EU-13 exceeds their economic weight in the Union and financing has to an important degree been directed towards Member States harder hit by the crisis (see paragraphs [2.65-2.67](#)).

**2.71.** The management of the programme has shown flexibility to adapt and improve over time. A liquidity cushion has been built up progressively as the financial exposure increased. This gives room for a response when a call on the guarantee occurs without affecting the EU budget. In the meantime these funds have been managed with prudence (see paragraph [2.64](#)).

# Annexes

## Annex 2.1 Objectives of Horizon 2020 and EFSI

Horizon 2020

GENERAL OBJECTIVES			
OBJECTIVE NUMBER	FULL TEXT OF THE OBJECTIVE	SHORT VERSION USED IN THIS CHAPTER	PART OF OUR SAMPLE?
GO1	To build a society and an economy based on knowledge and innovation across the whole Union, while contributing to sustainable development	-	Yes
SPECIFIC OBJECTIVES			
OBJECTIVE NUMBER	FULL TEXT OF THE OBJECTIVE	SHORT VERSION USED IN THIS CHAPTER	PART OF OUR SAMPLE?
SO1	Excellent science - European Research Council (ERC) - strengthening frontier research	European Research Council (ERC)	Yes
SO2	Excellent science - Future and Emerging Technologies - strengthening research in future and emerging technologies	Future and Emerging Technologies	No
SO3	Excellent science - Marie Skłodowska-Curie actions - strengthening skills, training and career development	Marie Curie actions	Yes
SO4	Excellent science - Research infrastructures - strengthening European research infrastructures, including e-infrastructures	Research infrastructures	No

SPECIFIC OBJECTIVES			
OBJECTIVE NUMBER	FULL TEXT OF THE OBJECTIVE	SHORT VERSION USED IN THIS CHAPTER	PART OF OUR SAMPLE?
SO5	Industrial leadership - boosting Europe's industrial leadership through research, technological development, demonstration and innovation in the following enabling and industrial technologies (information and communication technologies; nanotechnologies; advanced materials; biotechnology; advanced manufacturing and processing; space)	Leadership in Enabling & Industrial Technologies	Yes
SO6	Industrial leadership - enhancing access to risk finance for investing in research and innovation	Access to Risk Finance	No
SO7	Industrial leadership - increasing innovation in SMEs	Innovation in SME	Yes
SO8	Societal challenges - improving the lifelong health and wellbeing of all	Health, Demographic Change and Wellbeing	Yes
SO9	Societal challenges - securing sufficient supplies of safe, healthy and high quality food and other bio-based products, by developing productive, sustainable and resource-efficient primary production systems, fostering related ecosystem services and the recovery of biological diversity, alongside competitive and low-carbon supply, processing and marketing chains	Food security, sustainable agriculture, marine and maritime research and the bio-economy	No

SPECIFIC OBJECTIVES			
OBJECTIVE NUMBER	FULL TEXT OF THE OBJECTIVE	SHORT VERSION USED IN THIS CHAPTER	PART OF OUR SAMPLE?
SO10	Societal challenges - making the transition to a reliable, affordable, publicly accepted, sustainable and competitive energy system, aiming at reducing fossil fuel dependency, in the face of increasingly scarce resources, increasing energy needs and climate change	Secure, clean and efficient Energy	Yes
SO11	Societal challenges - achieving a European transport system that is resource-efficient, climate- and environmentally-friendly, safe and seamless for the benefit of all citizens, the economy and society	Smart, Green and Integrated Transport	No
SO12	Societal challenges - achieving a resource - and water - efficient and climate change resilient economy and society, protection and sustainable management of natural resources and ecosystems and a sustainable supply and use of raw materials, in order to meet the needs of a growing global population within the sustainable limits of the planet's natural resources and ecosystems	Climate Actions, Resource Efficiency and Raw Materials	No
SO13	Societal challenges - fostering a greater understanding of Europe, provide solutions and support inclusive, innovative and reflective European societies in a context of unprecedented transformations and growing global interdependencies	Europe in a changing world: inclusive, innovative and Reflective Societies	No

SPECIFIC OBJECTIVES			
OBJECTIVE NUMBER	FULL TEXT OF THE OBJECTIVE	SHORT VERSION USED IN THIS CHAPTER	PART OF OUR SAMPLE?
SO14	Societal challenges - fostering secure European societies in a context of unprecedented transformations and growing global interdependencies and threats, while strengthening the European culture of freedom and justice	Secure Societies – Protecting Freedom and Security of Europe and its Citizens	No
SO15	Spreading excellence and widening participation - fully exploiting the potential of Europe's talent pool and to ensure that the benefits of an innovation-led economy are both maximised and widely distributed across the Union in accordance with the principle of excellence	Widening participation	No
SO16	Science with and for society - building effective cooperation between science and society, to recruit new talent for science and to pair scientific excellence with social awareness and responsibility	Science with and for society	No
SO17	Non-Nuclear Direct Actions of the Joint Research Centre - providing customer-driven scientific and technical support to Union policies, while flexibly responding to new policy demands	Joint Research Centre	No

SPECIFIC OBJECTIVES			
OBJECTIVE NUMBER	FULL TEXT OF THE OBJECTIVE	SHORT VERSION USED IN THIS CHAPTER	PART OF OUR SAMPLE?
SO18	The European Institute of Innovation and Technology - integrating the knowledge triangle of higher education, research and innovation and thus to reinforce the Union's innovation capacity and address societal challenges	European Institute of Innovation and Technology	No

Source: ECA, based on the programme statements for the draft budget 2021.

EFSI

GENERAL OBJECTIVES			
OBJECTIVE NUMBER	FULL TEXT OF THE OBJECTIVE	SHORT VERSION USED IN THIS CHAPTER	PART OF OUR SAMPLE?
GO1	Supporting growth-enhancing investments in line with Union priorities, especially in the areas of: (a) research, development and innovation; (b) development of the energy sector in accordance with the Energy Union priorities; (c) development of transport infrastructures, and equipment and innovative technologies for transport; (d) financial support through the EIF and the EIB to entities having up to 3 000 employees, with a particular focus on SMEs and small mid-cap companies; (e) development and deployment of information and communication technologies; (f) environment and resource efficiency; and (g) human capital, culture and health; (h) agriculture, fishery, aquaculture and (i) for less developed regions and transition regions, other industry and services eligible for EIB support.	Supporting growth-enhancing investments in line with Union priorities in priority areas.	Yes

SPECIFIC OBJECTIVES			
OBJECTIVE NUMBER	FULL TEXT OF THE OBJECTIVE	SHORT VERSION USED IN THIS CHAPTER	PART OF OUR SAMPLE?
SO1	Increasing the volume of European Investment Bank (EIB) financing and investment operations in priority areas	Increasing the volume of EIB operations	Yes
SO2	Increasing the volume of European Investment Fund (EIF) financing for small and medium enterprises	(This objective is merged with SO1 and made obsolete)	No
SO3	To provide advisory support for investment project identification, preparation and development to public and private counterparts, not necessarily linked to EFSI operations through the European Investment Advisory Hub (EIAH)	Provide advisory support	No
SO4	To create an publicly available web portal where EU based projects promoters will be given the opportunity to boost the visibility of their projects to potential international investors	Create a web portal	No

Source: ECA, based on the programme statements for the 2021 draft budget.



## Chapter 3

**Economic, social and territorial cohesion**

# Contents

	Paragraph
<b>Introduction</b>	3.1.
<b>Scope and approach</b>	3.2.-3.6.
<b>The ERDF and the CF</b>	3.7.-3.66.
<b>The purpose and functioning of the ERDF and the CF</b>	3.7.-3.10.
<b>Published performance information</b>	3.11.-3.17.
<b>Assessing performance of the ERDF and the CF based on published performance information</b>	3.18.-3.58.
General comments	3.18.-3.24.
Europe 2020 targets; the mid-term performance review	3.23.-3.24.
Supporting the shift towards a low-carbon economy	3.25.-3.32.
EU funds for achieving climate and energy targets are in place but their cost-effectiveness is difficult to establish	3.27.-3.30.
EU funding is not always used effectively to meet climate targets	3.31.-3.32.
Preserving and protecting the environment and promoting resource efficiency	3.33.-3.40.
Qualitative data show mixed progress	3.35.-3.37.
Performance issues in environmental projects and programmes	3.38.-3.40.
Promoting sustainable transport and removing bottlenecks in key network infrastructures	3.41.-3.52.
Performance information indicates shortened travel times thanks to road projects, but there is no clear trend towards more sustainable modes of transport	3.44.-3.46.
Reaching strategic targets is at risk	3.47.-3.49.
Cost-benefit analysis is not often used as a tool for better decision-making	3.50.-3.52.
Enhancing the competitiveness of SMEs	3.53.-3.58.
Additional performance information	3.55.-3.58.
<b>Results of performance testing of transactions</b>	3.59.-3.61.
<b>Conclusions</b>	3.62.-3.66.

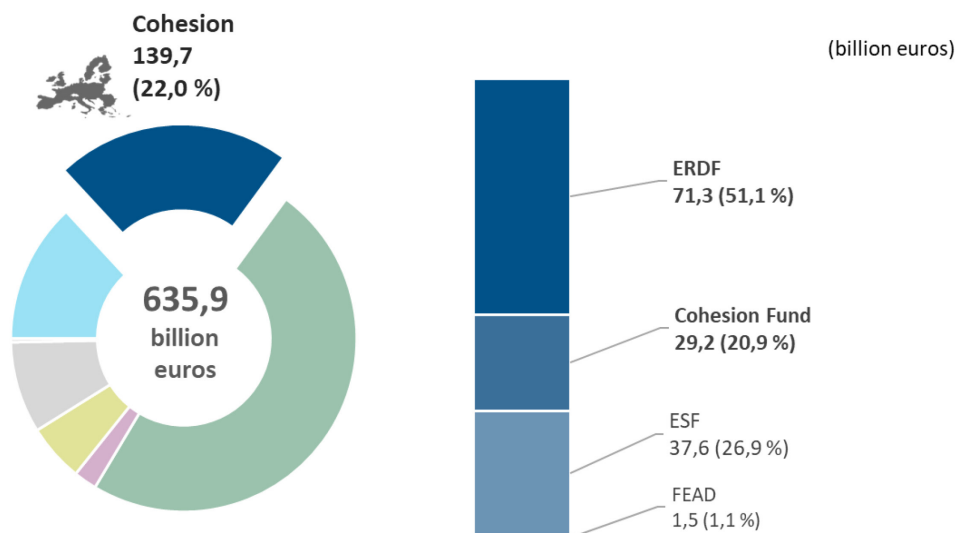
## **Annex**

### **Annex 3.1 Objectives of Programme ERDF and CF**

# Introduction

**3.1.** Spending under MFF heading 1b focuses on reducing development disparities between the different Member States and regions of the EU and strengthening all regions' competitiveness. Total planned expenditure under this sub-heading in the 2014-2020 period is 371,4 billion euros (in current prices), representing 34 % of the entire MFF. As [Figure 3.1](#) shows, payments by the end of 2019 amounted to 139,7 billion euros.

**Figure 3.1 – Economic, social and territorial cohesion: 2014-2019 payments on current MFF commitments, as a share of MFF payments under all headings and breakdown**



*Note:* Numbers may not sum to totals due to rounding.

*Source:* ECA, based on Commission data.

## Scope and approach

**3.2.** *Appendix* describes the methodology used to prepare this chapter.

**3.3.** Out of four programmes under economic, social and territorial cohesion, we selected two: the European Regional Development Fund (ERDF) and the Cohesion Fund (CF), representing 72 % of the payments made under this MFF heading (see [Figure 3.1](#)).

**3.4.** [Annex 3.1](#) lists all the objectives of the ERDF and the CF and highlights those that we selected for review in this chapter. Overall, we selected one objective specific to the ERDF and three objectives common to the ERDF and the CF.

**3.5.** This chapter is largely based on a review of Commission information, supplemented by findings from our own audit and review reports, where available. We refer to our sources throughout the text.

**3.6.** The focus of this chapter is performance of the ERDF and CF during this MFF period until the end of 2019. Given the long implementation period, and a multiannual nature, of Cohesion programmes, we have drawn on relevant data from earlier years, such as Commission evaluations and our own audit reports and reviews.

# The ERDF and the CF

## The purpose and functioning of the ERDF and the CF

**3.7.** In this chapter, we cover the performance of two major European structural and investment funds (ESIFs): the ERDF and the CF. The ERDF and the CF support the EU's economic, social and territorial cohesion policy (EU cohesion policy), which aims to strengthen economic and social cohesion within the EU by reducing gaps in the level of development between different regions. [Figure 3.2](#) provides an overview of the main elements of the ERDF and CF.

**3.8.** The ERDF covers all Member States and focuses on several key priority areas, such as innovation and research, support for small and medium-sized enterprises (SMEs) and the low-carbon economy. In 2019, Commission allocated 31,1 billion euros of the ERDF budget. The CF provides support to Member States<sup>1</sup> with a gross national income (GNI) per inhabitant below 90 % of the EU average. The CF mainly finances projects related to trans-European transport networks and the environment. Its budgetary allocation for 2019 was 11,5 billion euros.

**3.9.** These two funds are subject to shared management by the Commission and the Member States. Both the ERDF and the CF are implemented through *operational programmes* (OPs) that are drawn up by Member States and approved by the Commission.

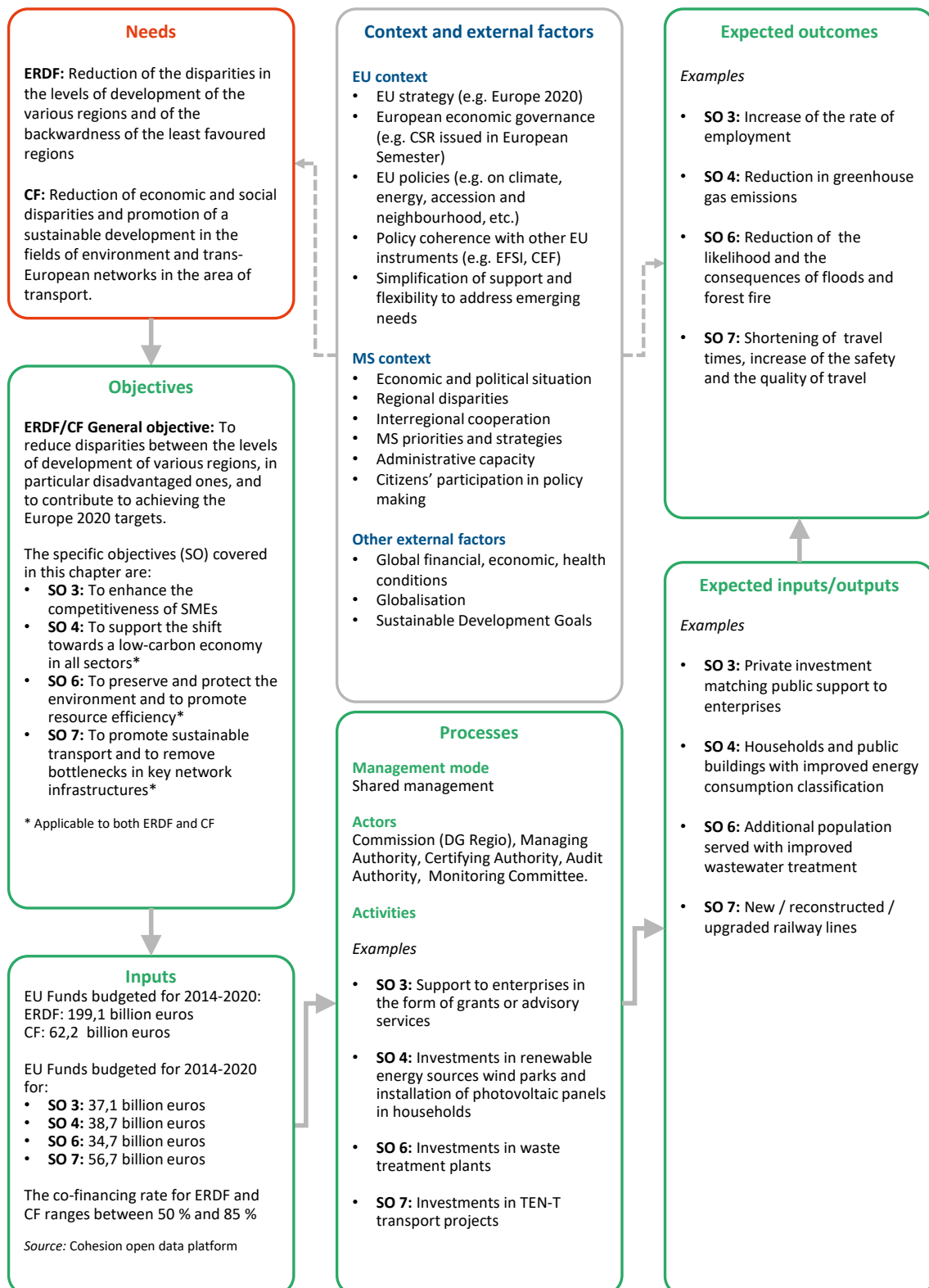
---

<sup>1</sup> Bulgaria, Czechia, Estonia, Greece, Croatia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Portugal, Romania, Slovenia and Slovakia. Spain was eligible for CF transitional support during the 2007-2013 programming period.

**3.10.** The EU cohesion policy has 11 thematic objectives. This chapter focuses on four thematic objectives (paragraph 3.4); the first three relate to both funds, the last only to the ERDF:

- o supporting the shift towards a low carbon economy;
- o preserving and protecting the environment and promoting resource efficiency;  
and
- o promoting sustainable transport and improving network infrastructures;
- o enhancing the competitiveness of SMEs.

Figure 3.2 – Overview of the ERDF and the CF



Source: ECA.



## Published performance information

**3.11.** In addition to the annual reporting on performance through the Annual Management and Performance Report (AMPR), programme statements and the *annual activity reports* (AARs) (see paragraph 1.3), every three years the Commission publishes a “Cohesion Report” on the progress made towards achieving the policy goal of economic, social and territorial cohesion<sup>2</sup>. In accordance with the Common Provisions Regulation (CPR) the Commission also publishes annual summary reports, which are based on Member States’ annual implementation reports, alternating with strategic reports in 2017 and 2019.

**3.12.** In order to measure performance consistently at OP level, the legislation provides for financial, *output* and result indicators<sup>3</sup>. The Commission reports on 72 indicators in its annual *programme statements*. It also reports on the common indicators on the OPs in an “Open Data Platform” (a public database which continuously aggregates information on finances and achievements for the ESIF 2014-2020). In addition, Member States have defined their own OP-specific indicators which, by their nature, cannot be aggregated across the EU. For the 2014-2020 programming period, ERDF and CF OPs make reference to around 13 000 specific indicators for monitoring purposes, split equally between common and programme-specific indicators.

**3.13.** Information from these indicators is complemented by the results of a number of evaluations and studies analysing the results of the 2007-2013 period and the early stages of programming and implementation of the 2014-2020 cohesion policy programmes. Ex-post evaluations are designed to allow the Commission to take account of lessons learnt in planning future programmes. *Figure 3.3* shows, however, that the timing of these evaluations means that lessons learned are too late to have an *impact* on either the current or following programming periods. The results of the 2014-2020 ex-post evaluations, for example, are expected to be available by the end of 2025 as required by the CPR. By then the 2021-2027 programming period will be in its

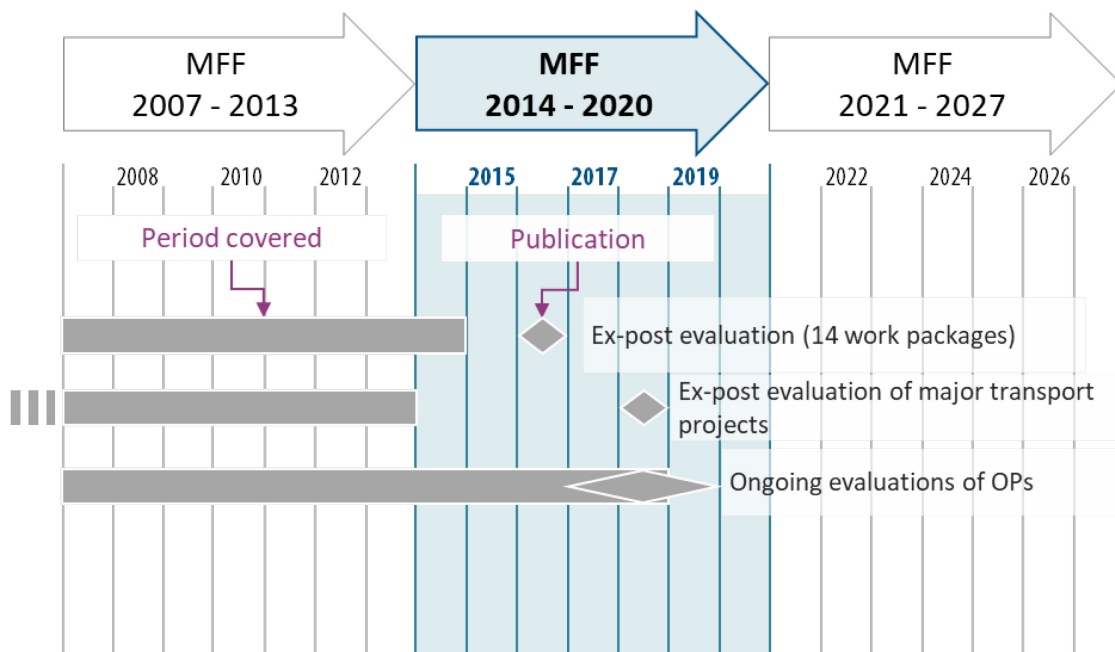
---

<sup>2</sup> The most recent is the European Commission Seventh report on economic, social and territorial cohesion, 2017.

<sup>3</sup> European Union, Regulation (EU) No 1303/2013, L 347/320, 20.12.2013, Article 27 notes that indicators are of three kinds: (a) financial indicators relating to expenditure allocated; (b) output indicators relating to the operations supported; and (c) result indicators relating to the priority concerned.

fifth year and the Commission is likely to be well advanced in preparing its legislative proposals for the post-2027 period<sup>4</sup>.

**Figure 3.3 – Timing and coverage of the main evaluations**



Source: ECA.

**3.14.** For the 2007-2013 period, an *ex post* evaluation of the ERDF/CF was carried out<sup>5</sup>. While the evaluation was designed to conclude on the overall impact of the programmes and drew qualitative overall conclusions, it did not conclude on the achievement of objectives or targets. Neither did it systematically analyse synergies between ERDF/CF funding and the implementation of EU sectoral policies, which would have helped to shed light on cohesion policy contributions to the achievement of Europe 2020 strategic objectives.

**3.15.** The legislation for the 2014-2020 period does not provide for mid-term evaluations of the ERDF and the CF at EU level. Instead, Member States are required to prepare an evaluation plan and to carry out at least one impact evaluation per priority axis of their OPs.

<sup>4</sup> ECA, Briefing Paper, Delivering performance in Cohesion, 2019, paragraphs 110 and 113, quoting the Commission's Ex post evaluation of Cohesion policy programmes 2007-2013 focusing on the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF) - Work Package 12 "Delivery system".

<sup>5</sup> Commission SWD (2016)318 final, Ex post evaluation of the ERDF and Cohesion Fund 2007-13.

**3.16.** In the following sections, we first examine performance information available at the level of the two funds we have chosen to focus on in this chapter, the ERDF and CF. We then provide further detail on aspects of performance related to the four thematic objectives we have selected (paragraph 3.10). In all cases, we begin by analysing the monitoring indicators, and supplement this with other information, as available. Finally, we also provide the results regarding performance from the examination of a sample of projects we carried out as part of our 2019 Statement of Assurance work. In considering performance, three important factors should be borne in mind:

- (1) In cohesion policy, characterised by large-scale infrastructure projects, there can be a time lag between the start of the programme, implementation and realisation of outputs and results. Progress is not expected to be linear during the programming period; and outcomes may often not materialise until a few years after the end of the programming period. Progress is also likely to be affected by the relatively low levels of implementation in cohesion policy, compared to the rest of EU budget. These factors, together with the fact that the latest data available relates to the end of 2018 in an implementation period lasting until the end of 2023, make it harder at this stage to conclude on the achievement of the objectives.
- (2) Cohesion policy objectives, such as those relating to employment rates, economic development, climate and energy, are heavily influenced by a wide range of external factors, in Europe and the world. In many Member States, cohesion policy funding typically represents a small proportion of the funds dedicated to these issues, and so can have only a very limited impact on these Member States' progress towards meeting these objectives.
- (3) The EU has at its disposal a range of policy tools for meeting its high-level cohesion policy objectives, of which the ERDF and CF constitute one part. Other funds and legislative initiatives are also designed to address the objectives. It is often not possible to distinguish the effects of different policy tools on the progress towards meeting targets.

**3.17.** It is also important to note that, while we examined aspects of performance for some projects as part of our Statement of Assurance work (paragraphs 3.59-3.61), the performance information reported by the Commission – the indicators and evaluations, for example – has not been subject to our audit.

## Assessing performance of the ERDF and the CF based on published performance information

### General comments

**3.18.** *Figure 3.4* provides an overview of all the ERDF and CF indicators included in the programme statements. *Figure 3.5* shows indicators related to the ERDF and CF general objective. More detailed overviews per specific objective are presented in *Figure 3.6*, *Figure 3.7*, *Figure 3.8* and *Figure 3.9*.

**3.19.** In paragraph 1.24 we discuss some general limitations<sup>6</sup> that apply when interpreting these indicators. In particular, our assessment whether a given indicator is ‘on track’ relates to the likelihood of that indicator meeting its target. This assessment does not take into account whether, and how closely, a given indicator is linked to the ERDF and CF actions and objectives, or whether the target set for this indicator is adequately ambitious. Therefore, it is only a first step in analysing ERDF and CF performance. We have also not audited the reliability of the underlying data, but we discuss it in chapter 1 (see paragraphs 1.13-1.23).

**3.20.** There are 72 indicators in total. Of these, nine – linked to the ERDF and the CF general objective – are Eurostat indicators, including five used exclusively for the ERDF and four shared between the two programmes. The remaining 63 (45 linked to the ERDF and 18 linked to the CF) are based on common indicators used by Member States’ operational programmes. They reflect the data available at the end of 2018 (2019 data will not be available until 2021). Our analysis shows that just above one third of the indicators are on track to meet their targets and that about half of the indicators are not on track<sup>7</sup>. For the remaining indicators it was not possible to conclude. Of the nine indicators linked to the general objectives, only two are on track. About one third of the indicators have a mid-term milestone target set for 2018. Most of these milestones (70 %) have either been achieved or are likely to be achieved soon.





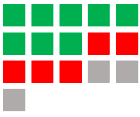


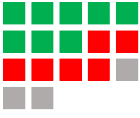

---







<sup>6</sup> See also paragraphs 3.21-3.35 of the 2018 annual report.

<sup>7</sup> See paragraph 1.25 for more details on how we assessed progress against indicators.

Figure 3.4 – Overview of indicators in Cohesion

According to the Commission data, are the ERDF and CF indicators on track to meet their targets ?

	Input and output	Programme outcome indicators	
		Result	Impact
general objective			
specific objective 'Supporting the shift towards a low-carbon economy'			
specific objective 'Preserving and protecting the environment and promoting resource efficiency'			
specific objective 'Promoting sustainable transport and removing bottlenecks in key network infrastructures'			
specific objective 'Enhancing the competitiveness of SMEs'			
Other specific objectives			

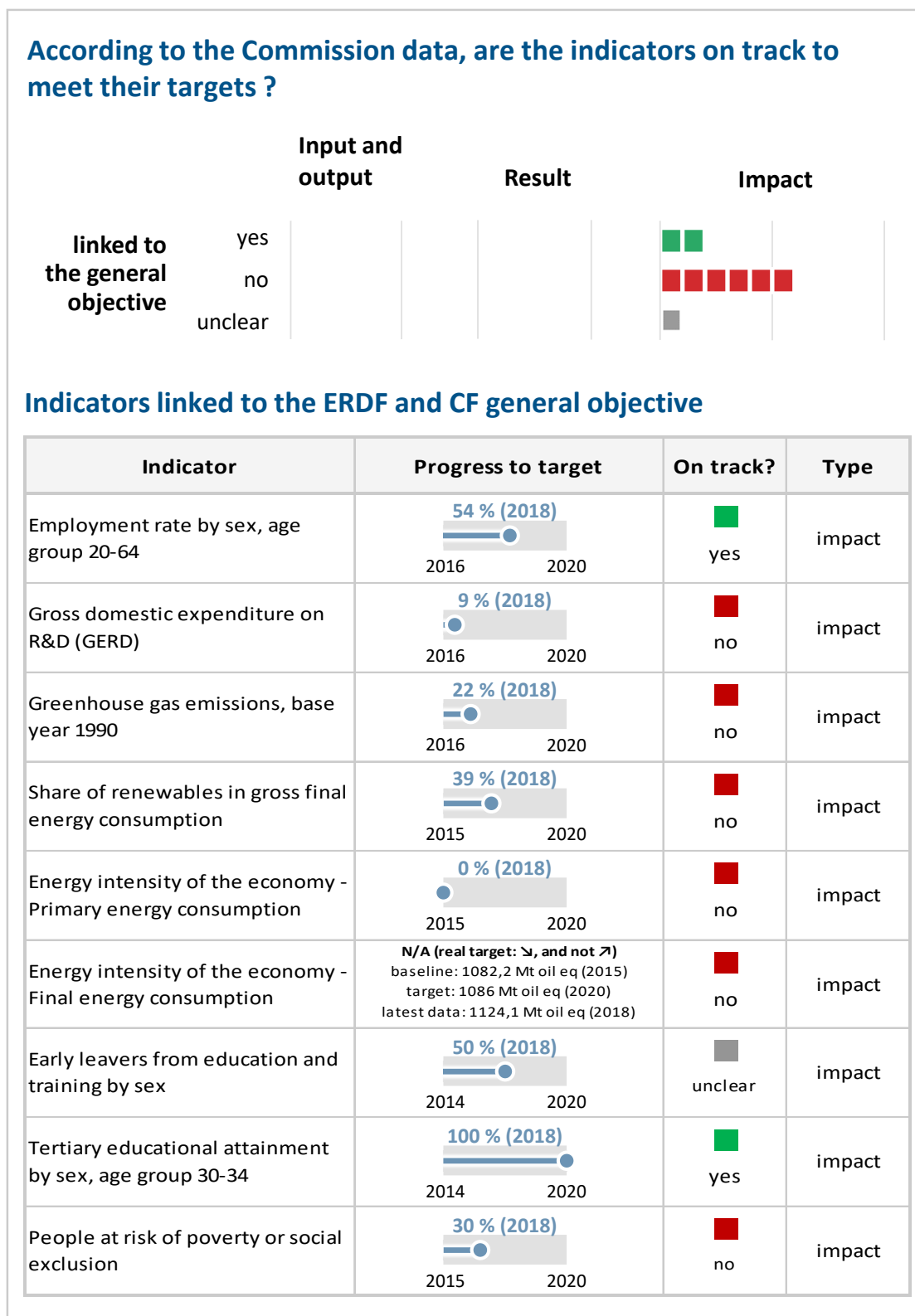
	Indicators on track to meet their targets?		
	ON TRACK	NOT ON TRACK	UNCLEAR
Indicators with quantified targets			
Indicators without quantified targets			

*Note:* Our analysis is based on Commission data that we have not audited.

The above illustration of whether indicators are 'on track' relates to our assessment of the probability that a given indicator will reach its target. However, an indicator may not be affected by the actions implemented under the programme, or it may not be relevant to the programme's objective – and its target may not reflect adequate ambition. Therefore, the fact that an indicator is 'on track' to meet its target does not necessarily mean that the programme itself is on track to meet its objectives. See also the **Appendix** (point 18).

*Source:* ECA, based on the programme statements of the 2021 draft budget.

**Figure 3.5 – Overview of indicators linked to the ERDF and CF general objectives**



Source: ECA, based on the programme statements of the 2021 draft budget.

**3.21.** Overall, the great majority of indicators are output indicators; and the rest are result or impact indicators (see [Figure 3.4](#)). In total, 40 % of the output indicators are on track. For result and impact indicators, this percentage is 10 %. We noted that a number of targets were reduced compared to the targets initially set (see paragraphs [3.26](#), [3.34](#) and [3.42](#)). We have started an audit on the effective functioning of the performance framework put in place by the Commission – including the processes for setting, approving and amending targets – and plan to report audit results in 2021.

**3.22.** In the PPO (annexed to the 2019 AMPR) the Commission presents forecasts for some of these indicators. These forecasts are based on information reported annually by the programme authorities and represent the expected outputs of selected projects which are ongoing but not yet completed. By nature, these forecasts present a more positive picture than the data on achievements to date<sup>8</sup>.

#### **Europe 2020 targets; the mid-term performance review**

**3.23.** Europe 2020 is the EU's high level strategy for the period from 2010 to 2020. For the 2014-2020 period, the Commission has defined nine indicators to measure progress towards achieving the objectives of this strategy, in the areas of employment, R&D, climate change and energy, education and poverty and social exclusion<sup>9</sup>. According to the Commission<sup>10</sup>, based on 2018 data, employment and education targets are likely to be achieved, while progress against the targets for R&D, and poverty and social inclusion lag behind and are unlikely to be achieved.

**3.24.** In December 2019, the Commission carried out a mid-term performance review of OPs<sup>11</sup>, based on Member States' 2018 annual implementation reports. The review was designed to determine to what extent each specific OP had achieved the milestones set and whether a 6 % performance reserve could be released<sup>12</sup>. The

---

<sup>8</sup> European Commission, 2019 AMPR for the EU budget, Annex 1 (PPO), June 2020.

<sup>9</sup> Details on the grouping can be found at: [https://ec.europa.eu/eurostat/statistics-explained/index.php/Europe\\_2020\\_headline\\_indicators#The\\_Europe\\_2020\\_strategy](https://ec.europa.eu/eurostat/statistics-explained/index.php/Europe_2020_headline_indicators#The_Europe_2020_strategy).

<sup>10</sup> European Commission, Eurostat, 2019, Smarter, greener, more inclusive? Indicators to support the Europe 2020 strategy.

<sup>11</sup> According to the Regulation (EU) No 1303/2013, L 347/320, 20.12.2013, Article 21.

<sup>12</sup> European Commission, DG REGIO, 2019 Annual Activity Report, June 2020.

review concluded<sup>13</sup> that priorities accounting for 82 % of the total performance reserve were assessed to be performing satisfactorily. In its 2019 AAR, DG REGIO reported that over 80 % of the OPs were assessed as ‘good’, or ‘acceptable’. The remainder, 41 programmes, were ‘in difficulty’ and DG REGIO put them under close monitoring<sup>14</sup>. In the context of this report, we have not audited the Commission’s assessment; although it will be addressed in the audit referred to at the end of paragraph 3.20.

## Supporting the shift towards a low-carbon economy

**3.25.** *Figure 3.6* provides an overview of the indicators from the programme statements linked to the objective of supporting the shift towards a low-carbon economy in all sectors.

**3.26.** Only one indicator in this area is on track to meet the target: the ‘Number of households with improved energy consumption classification indicator’ for ERDF is 35 % higher than the milestone set for 2018. The other nine indicators are not on track, even though for seven of them the Member States, with the Commission’s approval, made the target for 2023 less challenging.

---

<sup>13</sup> European Commission, 2019 AMPR for the EU budget, June 2020.

<sup>14</sup> European Commission, DR REGIO AAR, note: This assessment is based on a methodology which DG REGIO developed on the performance of programmes based on the assessment of annual implementation reports and of de-commitment risk per individual operational programme.



**Figure 3.6 – Overview of indicators linked to low-carbon economy**

According to the Commission data, are the indicators on track to meet their targets ?



**Indicators linked to 'Supporting the shift towards a low-carbon economy'**

Indicator	Progress to target	On track?	Type
Additional capacity of renewable energy production (Cohesion Fund)	 9 % (2018)	no	output
Additional capacity of renewable energy production (ERDF)	 15 % (2018) milestone 100 % (2018)	no	output
Number of households with improved energy consumption classification (Cohesion Fund)	 13 % (2018)	no	output
Number of households with improved energy consumption classification (ERDF)	 26 % (2018) milestone 19 % (2018)	yes	output
Decrease of annual primary energy consumption of public buildings (Cohesion Fund)	 16 % (2018)	no	result
Decrease of annual primary energy consumption of public buildings (ERDF)	 5 % (2018)	no	result
Number of additional energy users connected to smart grids (Cohesion Fund)	 8 % (2018)	no	output
Number of additional energy users connected to smart grids (ERDF)	 0 % (2018)	no	output
Estimated decrease of GHG (greenhouse gases) (Cohesion Fund)	 5 % (2018)	no	result
Estimated annual decrease of GHG (greenhouse gas) (ERDF)	 6 % (2018)	no	result

Source: ECA, based on programme statements for the 2021 draft budget.

## **EU funds for achieving climate and energy targets are in place but their cost-effectiveness is difficult to establish**

**3.27.** In order to achieve the EU's targets for 2020 and 2030 on climate and energy, the Commission has committed to spending at least one euro in every five of its budget between 2014 and 2020 on climate action. The rules of ERDF<sup>15</sup> require that a certain amount of national ERDF resources must be channelled towards low-carbon economy projects: 20 % in more developed regions, 15 % in transition regions and 12 % in less developed regions.

**3.28.** According to the Commission, Member States have gone well beyond this minimum one in five ratio, and 40 billion euros from the ERDF and CF are scheduled to be invested in the low-carbon economy during 2014-2020. This is twice the amount spent in this area during the previous funding period<sup>16</sup>. In our special report on this topic<sup>17</sup>, we confirmed that the one in five target had led to more, and better-focused, climate action funding in the ERDF and the CF. In response to the COVID outbreak the EU introduced measures increasing the Member States' flexibility in using ESI funding<sup>18</sup>. For instance, the requirement to devote a fixed proportion of ESI funding to key themes was waived<sup>19</sup>. However, the flexibility offered in the proposal may affect the EU's capacity to achieve the objectives originally set in the operational programmes<sup>20</sup>.

**3.29.** Sound financial management involves more than merely spending money. The Commission has issued guidance for improving energy efficiency investments in buildings, including their cost-effectiveness. In our special report on energy efficiency

---

<sup>15</sup> European Union, Regulation (EU) No 1301/2013 of the European Parliament and of the Council of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006.

<sup>16</sup> European Commission, DG REGIO website, [https://ec.europa.eu/regional\\_policy/en/policy/themes/low-carbon-economy/](https://ec.europa.eu/regional_policy/en/policy/themes/low-carbon-economy/).

<sup>17</sup> ECA, special report no 31/2016, Spending at least one euro in every five from the EU budget on climate action: ambitious work underway, but at serious risk of falling short.

<sup>18</sup> European Union, Regulation (EU) 2020/558, L130/1, 24.4.2020.

<sup>19</sup> European Union, Regulation (EU) 2020/558, L130/1, 24.4.2020, Article, 25(a)(5).

<sup>20</sup> ECA, opinion no 3/2020, on amending EU regulation for the European Structural and Investments Funds' use in response to the COVID-19 outbreak.

in buildings<sup>21</sup>, we provided examples of good practice: the use of financial instruments combined with grants and the modulation of the level of the aid rate to increase the leverage of private funding and reduce the risk of deadweight. Nevertheless, it is difficult to establish whether these funds were used cost-effectively.

**3.30.** *Box 3.1* presents other cost-effectiveness related issues reported by the ECA in special reports.

### **Box 3.1**

#### **Issues reported by the ECA in relation to the cost-effectiveness of actions towards achieving climate and energy targets**

Over-subsidised initial support schemes for wind and solar photovoltaic deployment, paid for through higher electricity prices and/or state deficits<sup>22</sup>.

Lack of interregional cooperation and exchange of experience. For example, owing to a fragmented internal energy market there are delays in grid investment, including in interconnection infrastructure. This impedes the deployment of renewables and the development of synergies among Member States<sup>23</sup>.

Although most Member States audited used cost-benefit analysis and models to design projects, improvements are needed on solutions signalled as cost-efficient by the European Environmental Agency (EEA)<sup>24</sup>.

Member States chose projects mostly on a first-come first-served basis without assessing their relative costs and benefits<sup>25</sup>.

---

<sup>21</sup> ECA, special report no 11/2020, Energy efficiency in buildings: greater focus on cost-effectiveness still needed.

<sup>22</sup> ECA, special report no 08/2019, Wind and solar power for electricity generation: significant action needed if EU targets to be met.

<sup>23</sup> ECA, special report no 08/2019, Wind and solar power for electricity generation: significant action needed if EU targets to be met.

<sup>24</sup> ECA, special report no 25/2018, Floods Directive: progress in assessing risks, while planning and implementation need to improve.

<sup>25</sup> ECA, special report no 11/2020, Energy efficiency in buildings: greater focus on cost-effectiveness still needed.

## EU funding is not always used effectively to meet climate targets

**3.31.** Cohesion policy is part of the EU policy mix contributing to meet the climate and energy targets. There are strong indications that the EU will not meet the 2030 climate and energy targets. According to the Commission<sup>26</sup>, there was only limited progress in the reduction of the negative environmental impacts stemming from the use of natural resources. In our special report on energy efficiency in buildings<sup>27</sup>, we note that the EU 2020 energy efficiency targets are unlikely to be met. In another audit<sup>28</sup>, we reported a deceleration in progress in both wind and solar photovoltaic sectors after 2014. Half of the EU Member States were at risk of not generating enough electricity from renewable energy to meet their 2020 targets. In our landscape review of EU action on energy and climate change, we reported that the reduction in greenhouse gas emissions projected by Member States falls short of the 40 % target for 2030<sup>29</sup>.

**3.32.** Reports from the EEA and from the European Parliament are in line with our conclusions. In a 2019 report<sup>30</sup>, the EEA highlighted that the current rate of progress will not be enough to meet 2030 and 2050 climate and energy targets. The European Parliament<sup>31</sup> noted that the EU is likely to miss its key 2030 climate and energy targets.

---

<sup>26</sup> European Commission, Factsheet Semester SDGs, [https://ec.europa.eu/commission/presscorner/api/files/attachment/862574/Factsheet\\_Semester\\_SDGs.pdf](https://ec.europa.eu/commission/presscorner/api/files/attachment/862574/Factsheet_Semester_SDGs.pdf).

<sup>27</sup> ECA, special report no 11/2020, Energy efficiency in buildings: greater focus on cost-effectiveness still needed.

<sup>28</sup> ECA, special report no 08/2019, Wind and solar power for electricity generation: significant action needed if EU targets to be met.

<sup>29</sup> See also: <https://www.eea.europa.eu/data-and-maps/indicators/greenhouse-gas-emission-trends-6/assessment-3>.

<sup>30</sup> EEA, *European environment — state and outlook 2020, Knowledge for transition to a sustainable Europe*, 2019.

<sup>31</sup> European Parliament, *EU Environment and Climate Change Policies - State of play, current and future challenges*, Policy Department A at the request of the Committee on the Environment, Public Health and Food Safety of the European Parliament, September 2019.

## Preserving and protecting the environment and promoting resource efficiency

**3.33.** *Figure 3.7* provides an overview of the indicators from the programme statements linked to the objective of preserving and protecting the environment and promoting resource efficiency.

**3.34.** Five out of ten indicators are on track to meet their targets, – most of them relating to water supply and waste water treatment. Indicators relating to waste recycling are not on track. While one case was a manifest error, Member States, with the Commission's agreement, revised all other target values downwards compared to the previous year, some of them by more than 50 %.

Figure 3.7 – Overview of indicators linked to the environment

According to the Commission data, are the indicators on track to meet their targets ?



Indicators linked to 'Preserving and protecting the environment and promoting resource efficiency'

Indicator	Progress to target	On track?	Type
Additional waste recycling capacity (Cohesion Fund)		no	output
Additional waste recycling capacity (ERDF)		no	output
Additional population served by improved water supply (Cohesion Fund)		yes	output
Additional population served by improved water supply (ERDF)		yes	output
Additional population served by improved wastewater treatment (Cohesion Fund)		yes	output
Additional population served by improved wastewater treatment (ERDF)		yes	output
Total surface area of rehabilitated land (Cohesion Fund)		no	output
Total surface area of rehabilitated land (ERDF)		yes	output
Surface area of habitats supported to attain a better conservation status (Cohesion Fund)		no	output
Surface area of habitats supported to attain a better conservation status (ERDF)		unclear	output

Source: ECA, based on programme statements for the 2021 draft budget.

## Qualitative data show mixed progress

**3.35.** The Commission reported a significant spike both in planned investments and in reported achievements in the environmental protection and resource efficiency areas, and slow progress in increasing waste recycling capacity and the rehabilitation of land<sup>32</sup>. In its evaluation, it found that, in the case of water, projects supported and completed during the 2007-2013 programming period improved the drinking water supply for at least 4 million EU citizens, and ensured better wastewater treatment for over 7 million<sup>33</sup>.

**3.36.** In our special report on water infrastructure<sup>34</sup>, we pointed out that the general lack of awareness of water leakages in the three audited Member States had been driven by underinvestment in maintenance and renewal of the water infrastructure. Furthermore, in our report on EU funding of urban waste water treatment plants in the Danube river basin<sup>35</sup>, we found that all four Member States examined had made important progress in meeting the requirements of the directive<sup>36</sup>, but incurred delays in specific areas.

**3.37.** On air quality, the EEA has reported reductions in air pollutant emissions – to which ERDF/CF-funded projects contribute – between 1990 and 2015<sup>37</sup>. In a more recent report the EEA states that overall environmental trends in Europe have not

---

<sup>32</sup> European Commission various document including the DG REGIO AAR 2018, the AMPR 2018 and the summary report of the programme annual implementation reports covering 2014-2017 published in 2019.

<sup>33</sup> European Commission, Ex post evaluation of Cohesion Policy Programmes 2007-2013.

<sup>34</sup> ECA, special report no 12/2017, Implementing the Drinking Water Directive: water quality and access to it improved in Bulgaria, Hungary and Romania, but investment needs remains substantial".

<sup>35</sup> ECA, special report no 2/2015, EU-funding of urban waste water treatment plants in the Danube river basin: further efforts needed in helping Member States to achieve EU waste water policy objectives.

<sup>36</sup> European Union, Directive on urban waste water treatment, Council Directive 91/271/EEC.

<sup>37</sup> EEA, Indicator assessment - Emissions of the main air pollutants in Europe, 2017.

improved since 2015, and that most of the 2020 targets will not be achieved, especially those on biodiversity<sup>38</sup>. Our findings have confirmed these trends<sup>39</sup>.

### Performance issues in environmental projects and programmes

**3.38.** In its 2020 *ex post* evaluation of major projects<sup>40</sup> the Commission concluded that projects were affected by cost and time overruns. Regarding the environmental projects, forecasting the capacity and flexibility in design were the main weaknesses.

**3.39.** *Box 3.2* provides some examples from our special reports of weak performance orientation of EU co-financed projects and programmes.

#### Box 3.2

##### Examples of weak performance orientation in EU co-financed environmental projects or programmes

- Several objectives of the flood risk management plans were neither quantified nor time-bound<sup>41</sup>
- Despite Commission guidance, no relation in some Member States between aid rate and expected energy savings projects should deliver<sup>42</sup>

<sup>38</sup> EEA, European environment — state and outlook 2020, Knowledge for transition to a sustainable Europe, 2019.

<sup>39</sup> ECA, special report no 23/2018, Air pollution: Our health still insufficiently protected; ECA, landscape review, EU action on energy and climate change, 2017; special report no 2/2015, EU-funding of urban waste water treatment plants in the Danube river basin: further efforts needed in helping Member States to achieve EU waste water policy objectives; ECA, special report no 12/2017, Implementing the Drinking Water Directive: water quality and access to it improved in Bulgaria, Hungary and Romania, but investment needs remains substantial.

<sup>40</sup> European Commission, Ex post evaluation of major projects in environment financed by the European Regional Development Fund and the Cohesion Fund between 2000 and 2013, June 2018.

<sup>41</sup> ECA, special report no 25/2018, Floods Directive: progress in assessing risks, while planning and implementation need to improve.

<sup>42</sup> ECA, special report no 11/2020, Energy efficiency in buildings: greater focus on cost-effectiveness still needed.



**3.40.** We have also reported examples of poor alignment of investments with EU priorities due to weaknesses in allocating funds to projects:

- direct EU funding for air quality can provide useful support, but, for example, at the time of our audit there were no projects targeting emission reductions from domestic heating in areas where this is a major air pollution source<sup>43</sup>; and
- the Floods Directive had positive effects overall, but the sources of financing were only partially identified and secured in the Member States' flood risk management plans, funding for cross-border investment was limited, and money was generally not allocated in line with priorities<sup>44</sup>.

### **Promoting sustainable transport and removing bottlenecks in key network infrastructures**

**3.41.** *Figure 3.8* provides an overview of the indicators from the programme statements linked to the objective of promoting sustainable transport and removing bottlenecks in key network infrastructures.

**3.42.** Half of the 16 indicators are on track to meet their targets. They are related to railway lines, metro and tram, and roads. Member States have reduced most targets for 2023 in the latest report, approved by the Commission, in some cases by considerable amounts. For example, the combined ERDF and CF target value for the indicator "Total length of new railway line" was reduced from 947 km to 579 km (39 %) and the combined ERDF and CF target value for the indicator "Total length of new or improved tram and metro lines" was reduced from 680 km to 441 km (35 %).

**3.43.** The indicators in this policy area are all output indicators: they mainly provide data about the programme's implementation in terms of infrastructure built. There are no common indicators to measure results. Our report on EU co-funded roads<sup>45</sup> indicates that the Commission does not report information such as time savings or higher average speed, even though this information is sometimes available.

---

<sup>43</sup> ECA, special report no 23/2018, Air pollution: Our health still insufficiently protected.

<sup>44</sup> ECA, special report no 25/2018, Floods Directive: progress in assessing risks, while planning and implementation need to improve.

<sup>45</sup> ECA, special report no 9/2020, The EU-core road network: shorter travel times but network not yet fully functional.

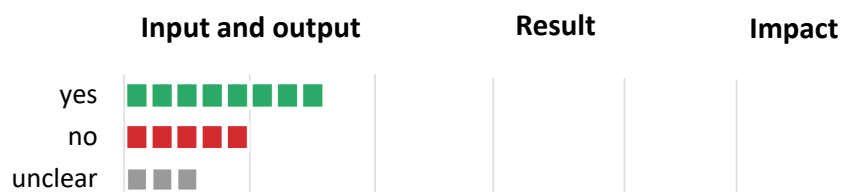
Similarly, our report on transport flagship infrastructure (TFI) projects<sup>46</sup> indicates that there is no mechanism for systematically measuring results after a period of time following project completion, and the Commission has no data on the wider effects (such as socio-economic impacts) of major transport projects.

---

<sup>46</sup> ECA, special report no 10/2020, EU transport flagship infrastructures: no timely completion of the transport network.

Figure 3.8 – Overview of indicators linked to transport networks

According to the Commission data, are the indicators on track to meet their targets ?



Selection of indicators linked to 'Promoting sustainable transport and removing bottlenecks in key network infrastructures

Indicator	Progress to target	On track?	Type
Total length of new railway line (Cohesion Fund)	0 % (2017) 	 no	output
Total length of new railway line (ERDF)	N/A (no data) baseline: 0 km (2014) target: 558 km (2023) latest data: no data	 unclear	output
Total length of reconstructed or upgraded railway line (Cohesion Fund)	22 % (2018) milestone 10 % (2018) 	 yes	output
Total length of reconstructed or upgraded railway line (ERDF)	11 % (2018) milestone 7 % (2018) 	 yes	output
Total length of newly built roads (Cohesion Fund)	41 % (2018) milestone 4 % (2018) 	 yes	output
Total length of newly built roads (ERDF)	32 % (2018) milestone 10 % (2018) 	 yes	output
Total length of reconstructed or upgraded roads (Cohesion Fund)	82 % (2018) milestone 18 % (2018) 	 yes	output
Total length of reconstructed or upgraded roads (ERDF)	29 % (2018) milestone 12 % (2018) 	 yes	output
Total length of new or improved tram and metro lines (Cohesion Fund)	28 % (2018) milestone 28 % (2018) 	 yes	output
Total length of new or improved tram and metro lines (ERDF)	4 % (2018) milestone 60 % (2018) 	 no	output

Source: ECA, based on programme statements for the 2021 draft budget.

**Performance information indicates shortened travel times thanks to road projects, but there is no clear trend towards more sustainable modes of transport**

**3.44.** EU investments in transport have helped to improve connectivity and accessibility<sup>47</sup>. Our recent audit on support for the core road network<sup>48</sup> concluded that EU programmes contribute to its development. For the routes analysed, we noted shortened travel times and more kilometres driven on motorways, improving safety and the quality of travel.

**3.45.** In our recent audit on sustainable urban mobility, we concluded there is no clear indication that cities are fundamentally changing their approaches. In particular, there is no clear trend towards more sustainable modes of transport. We recognise, however, that significant improvements in sustainable urban mobility may require more time to materialise<sup>49</sup>.

**3.46.** In 2018, the Commission published an evaluation covering ten major transport projects in the road, rail and urban transport sector that were co-funded by the ERDF and the CF during the programming periods 2000-2006 or 2007-2013<sup>50</sup>. It indicated that most projects evaluated resulted in time and vehicle operating cost savings and had positive effects in terms of safety, noise and service quality. It also noted that effects on quality of life and well-being were usually positive. The evaluation also concluded that the effect of these projects on environmental sustainability (such as air pollution and climate change) were generally positive, although limited.

---

<sup>47</sup> ECA, landscape review no 9/2018, Towards a successful transport sector in the EU: challenges to be addressed.

<sup>48</sup> ECA, special report no 9/2020, The EU-core road network: shorter travel times but network not yet fully functional.

<sup>49</sup> ECA, special report no 6/2020, Sustainable Urban Mobility in the EU: No substantial improvement is possible without Member States' commitment.

<sup>50</sup> European Commission, Ex-post evaluation of major projects supported by the European Regional Development Fund (ERDF) and Cohesion Fund between 2000 and 2013, June 2018.

## Reaching strategic targets is at risk

**3.47.** The trans-European transport network (TEN-T) Regulation<sup>51</sup> sets out the "comprehensive" and "core" networks, to be developed by Member States. The comprehensive network, to be finished by 2050, aims to ensure the accessibility and connectivity of all EU regions. The core network, to be finished by 2030, consists of those parts of the comprehensive network which are of the highest strategic importance for achieving the TEN-T objectives.

**3.48.** In our recent audit on TFIs<sup>52</sup>, we reported that it is unlikely that the EU core transport network will reach its full capacity by 2030, although there may already be some positive effects from their ongoing implementation. Furthermore, in the landscape review<sup>53</sup> we indicated that since the scale of EU funding is limited compared to the overall needs, it is necessary to focus on priorities with the highest EU added value. In our audit on roads<sup>54</sup> we recommended that Member States prioritise their funding on investment in the core network with a view to completing it by 2030, especially in Member States where progress has been limited so far. In this audit we found that Member States were proposing to spend 66 % of the ESIFs available for road projects for 2014-2020 outside the core network.

**3.49.** We have noted that cross-border sections need particular attention as gaps in the cross border infrastructure reduce the intended impact of the EU-wide network. Member States have no incentives to implement EU policies where there is low national interest, in particular cross-border links<sup>55</sup>. We have reported on problems in

---

<sup>51</sup> EU, Regulation No 1315/2013 of the European Parliament and of the Council of 11 December 2013 on Union guidelines for the development of the trans-European transport network and repealing Decision No 661/2010/EU Text with EEA relevance.

<sup>52</sup> ECA, special report no 10/2020 EU transport flagship infrastructures: no timely completion of the transport network.

<sup>53</sup> ECA, landscape review no 9/2018, Towards a successful transport sector in the EU: challenges to be addressed.

<sup>54</sup> ECA, special report no 9/2020 The EU-core road network: shorter travel times but network not yet fully functional.

<sup>55</sup> ECA, landscape review no 9/2018, Towards a successful transport sector in the EU: challenges to be addressed.

this area in our audits of the EU core road network<sup>56</sup> and of investments in the European Rail Traffic Management System<sup>57</sup>.

### **Cost-benefit analysis is not often used as a tool for better decision-making**

**3.50.** For the current programming period, as a condition of funding, major projects are subject to detailed cost-benefit analysis by the Member States, and subsequent assessment and approval by the Commission. Our audit of the high-speed rail network showed that the quality of the assessment of needs in the Member States is low and that project sponsors and appraisers tend to use cost-benefit analysis merely as a compulsory administrative step rather than as a tool for better decision-making<sup>58</sup>. A Commission evaluation<sup>59</sup> confirms this. For example, in our audit on TFIs we found that traffic forecasts were usually overoptimistic, not well coordinated, not based on sound economic assessments and sometimes very simplistic. We concluded that, in the TFIs we examined, cost-benefit analyses had not been properly used as a tool for policy-making<sup>60</sup>.

**3.51.** The Commission's legislative proposal for the ESIF for 2021-2027 removes all the appraisal requirements specific to major projects, including the cost-benefit analysis requirement<sup>61</sup>. While we recognise that this represents a reduction in the general administrative burden, we are concerned that this is outweighed by the

---

<sup>56</sup> ECA, special report no 9/2020, The EU-core road network: shorter travel times but network not yet fully functional.

<sup>57</sup> ECA, special report no 13/2019, A single European rail traffic management system: will the political choice ever become reality?

<sup>58</sup> ECA, special report no 19/2018, A European high-speed rail network: not a reality but an ineffective patchwork.

<sup>59</sup> European Commission, Ex post evaluation of major projects in transport financed by the European Regional Development Fund and the Cohesion Fund between 2000 and 2013, June 2018.

<sup>60</sup> ECA, special report no 10/2020, EU transport flagship infrastructures: no timely completion of the transport network.

<sup>61</sup> Member States are required only to provide information to the Commission about 'operations of strategic importance', defined as those which provide a key contribution to the achievement of the objectives of a programme, with no further details. Articles 2(4) and 67(6) of COM(2018) 375 final.

increased risk that the co-financed investments do not offer the best value for money<sup>62</sup>.

**3.52.** Our audits on EU co-funded high-speed rail lines<sup>63</sup> and TFIs<sup>64</sup> concluded that the sustainability of some of the audited lines was at risk as they do not have enough passengers. In the former audit we indicated that this risk could have been mitigated by a sound *ex ante* assessment of costs and benefits. A Commission evaluation<sup>65</sup> came to a similar conclusion, reporting that the financial sustainability of projects was dependent on public funding and that during project preparation insufficient attention was paid to the financial sustainability of projects in their post-completion operation.

### Enhancing the competitiveness of SMEs

**3.53.** *Figure 3.9* provides an overview of the indicators from the programme statements linked to the ERDF specific objective – “Enhancing the competitiveness of SMEs”.

**3.54.** Three out of nine indicators (33 %) are on track to meet their targets. These three indicators are output-related, measuring the number of businesses supported by the ERDF. In some cases, considerable progress has been made since the previous year. For example, 414 000 businesses received support compared to 201 000 previously. Other indicators, such as those measuring whether the private investment matches public support to businesses, and the employment increase in supported businesses are not on track.

---

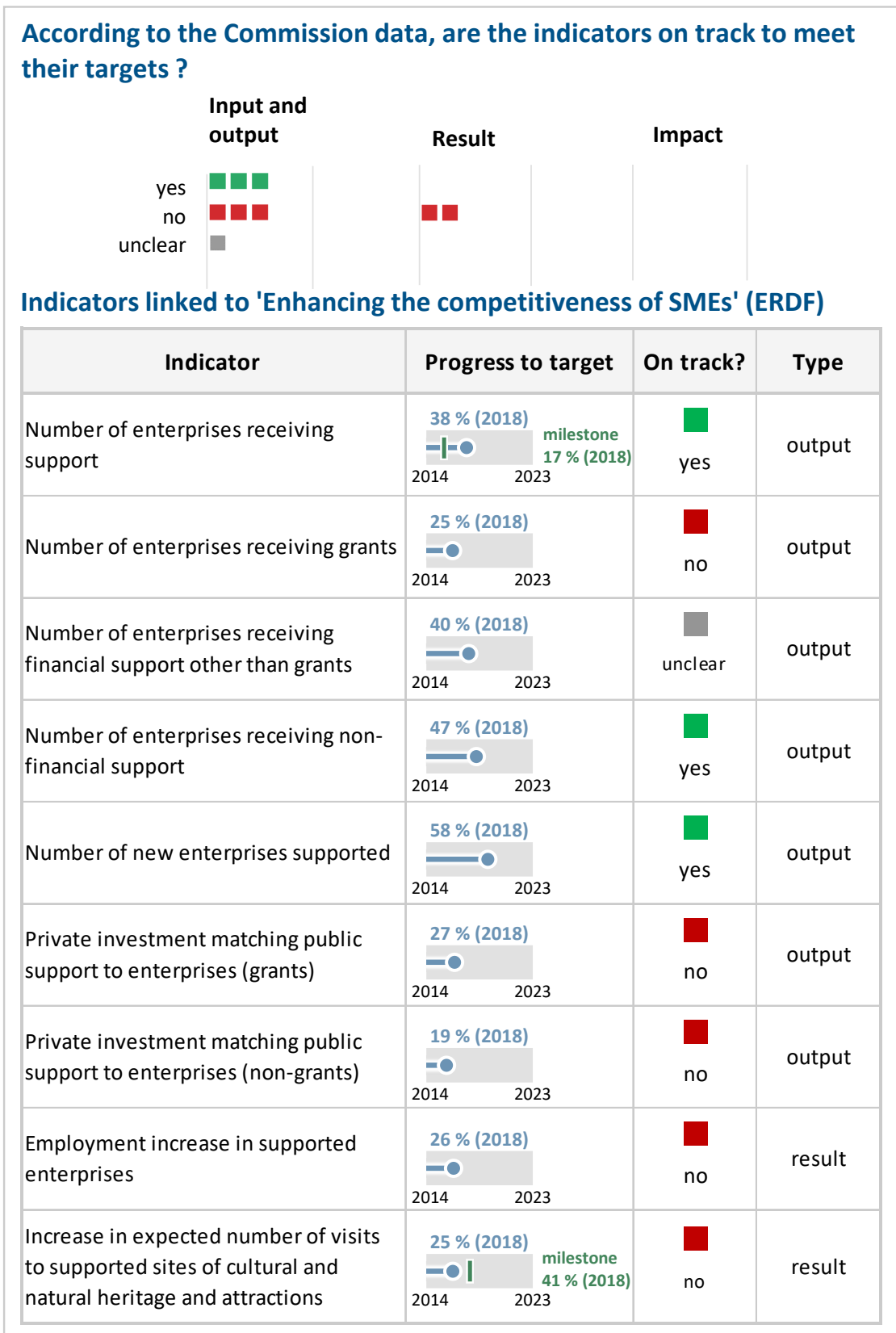
<sup>62</sup> ECA, opinion no 6/2018, on the Commission’s proposal of 29 May 2018 on the Common Provisions Regulation, COM(2018) 375 final.

<sup>63</sup> ECA, special report no 19/2018, A European high speed rail network: not a reality but an ineffective patchwork.

<sup>64</sup> ECA, special report no 10/2020, EU transport flagship infrastructures: no timely completion of the transport network.

<sup>65</sup> European Commission, Ex-post evaluation of major projects supported by the European Regional Development Fund (ERDF) and Cohesion Fund between 2000 and 2013, June 2018.

Figure 3.9 – Overview of indicators linked to SMEs



Source: ECA, based on programme statements for the 2021 draft budget.



## Additional performance information

**3.55.** SMEs account for 99,8 % of all EU businesses in the non-financial sector, generating 56 % of value added and 67 % of employment<sup>66</sup>. Earlier in 2020 we started an audit examining SME start-ups; we plan to report the findings next year. For the remainder of this section, we have drawn on Commission evaluations that we have, not assessed separately.

**3.56.** The Commission's 2018/2019 annual report on ERDF support for SMEs highlights, amongst other things, the need to increase R&D activities in SMEs and to address skills shortages and funding, as these are key challenges to innovation. The Commission's evaluation<sup>67</sup> of ERDF support for SMEs during the 2007-2013 programming period indicated that in some cases ERDF helped to speed up investments and promote R&D and innovation. However, the evaluation also showed that those cases referred to beneficiaries who already had the capacity to grow and innovate, and there is little evidence of whether they would have made these investments anyway even without the support of the programme.

**3.57.** The Commission's evaluation indicates that, in general, 2007-2013 OPs lacked strategic focus<sup>68</sup> and adopted a demand-driven approach, attempting to tackle all possible obstacles to SME growth and innovation. This contributed to obscuring the overall strategic goal of some programmes. In many cases this led to the creation of a large number of policy instruments; generally there was little consideration of which instruments were likely to be the most effective.

**3.58.** According to the evaluation, ERDF funding was used together with national sources of SME support, either by complementing existing national measures or by filling gaps in the support system. However, it found that synergies between ERDF and ESF support were generally low, despite the importance of safeguarding employment<sup>69</sup>.

---

<sup>66</sup> European Commission, annual report on European SMEs 2018/2019, Research and Innovation and Development by SMEs, November 2019.

<sup>67</sup> European Commission, Ex-post evaluation of 2007-2014, Support to SMEs – Increasing Research and Innovation in SMEs and SME Development, February 2016.

<sup>68</sup> Ibid.

<sup>69</sup> Ibid.

## Results of performance testing of transactions

**3.59.** In the context of our Statement of Assurance audit for the year 2019, we examined the availability, significance and reliability of performance data reported by 12 Member States for a sample of 121 ERDF and CF co-financed projects. The inherent time lag in cohesion policy projects (paragraph 3.16 above) meant that only 11 of these projects had been completed; we found that seven projects had fully, and two projects partially, met their objectives, while the other two projects did not meet them. However, the fact that only 10 % of the projects we examined had been completed limits our ability to draw wider conclusions.

**3.60.** We found that all the Member States we visited had systems for recording and monitoring project performance data, and that such data was recorded for almost all (119) projects. The objectives of all 121 projects were in line with the objectives set in Member States' OPs and with the EU common objectives set in the ERDF and CF programme statements, the latter derived from the Europe 2020 strategy.

**3.61.** Under EU law, Member States are required to define and report on outputs from ERDF and CF-funded activities. Overall, we found that the performance indicators used at project level were in line with objectives set at Member States and EU level. While Member State also have the option of using result indicators, the targets were mainly output-based, in line with our analysis at paragraph 3.18.

## Conclusions

**3.62.** Five years after the launch of the 2014-2020 programming period, just above one third of the 72 programme indicators for ERDF and CF were on track – even though a number of the targets were revised downwards. The majority of the indicators on general programme objectives were not on track. With regard to the four specific programme objectives reviewed in more detail, while half of the transport and environment indicators were on track, the equivalent figures for the other two areas were below 50 %: SMEs 33 % and the low-carbon economy only 10 %. The fact that the ERDF and CF are programmed over seven years, and a further three years is allowed for implementation, means that milestones are a useful way of focusing monitoring attention on progress towards the final target (paragraphs 3.18-3.20).

**3.63.** Information from the Commission and other sources, as well as our own reports and reviews, confirms this mixed picture. While the ERDF and the CF contribute towards EU economic, social and territorial cohesion policy objectives, in

our special reports, we have made a number of recommendations to address weaknesses in programme design and implementation. Among these, we emphasise the inherent risk related to the use of funding towards the end of the period, the need to establish the cost-effectiveness of the funding for environmental projects and the need to ensure that the resources directed to transport programmes focus on the highest priorities and EU added value (paragraphs [3.25-3.61](#)).

**3.64.** A number of factors influence the achievement of cohesion policy objectives. These include the relatively late start of spending in the 2014-2020 period; the natural time lag between the completion of projects – the outputs – and the realisation of benefits in terms of results and impacts; and the impact of external factors (paragraph [3.16](#) and [Figure 3.2](#)).

**3.65.** Limitations in the data prevent us from making a more comprehensive assessment of performance. For example, although the indicators are quantified, the general and the specific objectives are not. It is possible, therefore, to assess the progress of the indicators against milestones and targets, but not whether the two funds have met, or are likely to meet, the general and specific objectives. And more widely, while the monitoring and reporting framework has gradually improved in recent programming periods, for 2014-2020 it remains mainly driven by *input* and output related performance information, while result or even impact related information is less prominent. The introduction of mandatory common result indicators proposed for 2021-2027 would be a welcome improvement in this respect. The establishment of the Commission's open data platform which allows the public and policy makers to access real-time performance information is also a good idea in principle – although we have not examined it (paragraphs [3.11-3.15](#)).

**3.66.** We note that by the end of 2019, for the 2014-2020 period, 36 % and 39 % of the available funding for the ERDF and CF respectively had been paid<sup>70</sup>. Although projects can be implemented until 2023, this rate of spending ('absorption') is lower than in the previous programming period – by 6.6 percentage points at the end of the sixth year of implementation. We have reported a number of times that low absorption carries the inherent risk that, as the eligibility period draws to an end, Member States may prioritise spending at the expense of performance and regularity. The additional pressures brought about by the COVID-19 pandemic are only likely to intensify this risk (paragraphs [3.11-3.24](#)).

---

<sup>70</sup> European Commission, 2019 AMPR for the EU budget, June 2020.

# Annex

## Annex 3.1 Objectives of Programme ERDF and CF

GENERAL OBJECTIVES			
OBJECTIVE NUMBER	FULL TEXT OF THE OBJECTIVE	SHORT VERSION USED IN THIS CHAPTER	PART OF OUR SAMPLE?
ERDF General Objective 1	To reduce disparities between the levels of development of the various regions, in particular for rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps and to contribute to achieving the targets set out in the Europe 2020 strategy of smart, sustainable and inclusive growth, and in particular towards the achievement of quantitative headline targets identified in that strategy	H.1b_ERDF_GO1	Yes
CF General Objective 1	To reduce disparities between the levels of development of the various regions, in particular for rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps and to contribute to achieving the targets set out in the Europe 2020 strategy	H.1b_CF_GO1	Yes

SPECIFIC OBJECTIVES			
OBJECTIVE NUMBER	FULL TEXT OF THE OBJECTIVE	SHORT VERSION USED IN THIS CHAPTER	PART OF OUR SAMPLE?
ERDF Specific Objective 1	Strengthening research, technological development and innovation	H.1b_ERDF_SO1	No
ERDF Specific Objective 2	Enhancing access to, and use and quality of, information and communication technologies	H.1b_ERDF_SO2	No
ERDF Specific Objective 3	Enhancing the competitiveness of small and medium-sized enterprises	H.1b_ERDF_SO3	Yes
ERDF Specific Objective 4	Supporting the shift towards a low-carbon economy in all sectors	H.1b_ERDF_SO4	Yes
ERDF Specific Objective 5	Promoting climate change adaptation, risk prevention and management	H.1b_ERDF_SO5	No
ERDF Specific Objective 6	Preserving and protecting the environment and promoting resource efficiency	H.1b_ERDF_SO6	Yes
ERDF Specific Objective 7	Promoting sustainable transport and removing bottlenecks in key network infrastructures	H.1b_ERDF_SO7	Yes
ERDF Specific Objective 8	Promoting sustainable and quality employment and supporting labour mobility	H.1b_ERDF_SO8	No
ERDF Specific Objective 9	Promoting social inclusion, combating poverty and any discrimination	H.1b_ERDF_SO9	No
ERDF Specific Objective 10	Investing in education, training and vocational training for skills and lifelong learning	H.1b_ERDF_SO10	No

SPECIFIC OBJECTIVES			
OBJECTIVE NUMBER	FULL TEXT OF THE OBJECTIVE	SHORT VERSION USED IN THIS CHAPTER	PART OF OUR SAMPLE?
ERDF Specific Objective 11	Enhancing institutional capacity of public authorities and stakeholders and an efficient public administration	H.1b_ERDF_SO11	No
CF Specific Objective 1	Supporting the shift towards a low carbon economy in all sectors	H.1b_CF_SO1	Yes
CF Specific Objective 2	Promoting climate change adaptation, risk prevention and management	H.1b_CF_SO2	No
CF Specific Objective 3	Preserving and protecting the environment and promoting resource efficiency	H.1b_CF_SO3	Yes
CF Specific Objective 4	Promoting sustainable transport and removing bottlenecks in key network infrastructures	H.1b_CF_SO4	Yes

Source: ECA, based on the programme statements for the 2021 draft budget.

# Chapter 4

## Natural resources

# Contents

	Paragraph
<b>Introduction</b>	4.1.
<b>Scope and approach</b>	4.2.-4.5.
<b>The CAP</b>	4.6.-4.58.
<b>The purpose and functioning of the CAP</b>	4.6.-4.11.
<b>Published performance information</b>	4.12.-4.15.
<b>Assessing CAP performance based on published information</b>	4.16.-4.58.
General comments	4.16.-4.22.
Limited intervention logic underlying the CAP	4.18.
Most CAP indicators measure outputs rather than results	4.19.-4.21.
Evaluation support studies do not cover the economy of CAP spending	4.22.
Viable food production	4.23.-4.36.
Direct payments reduce income volatility, but are largely untargeted	4.25.-4.32.
Market interventions have helped stabilise markets, but not always in an efficient way	4.33.-4.34.
Risk management tools have low uptake	4.35.
There is little information available on the effectiveness of rural development measures supporting farm viability	4.36.
Sustainable management of natural resources and climate action	4.37.-4.48.
The CAP has potential to contribute to the sustainable use of natural resources, but there is not enough data to assess effectiveness	4.39.-4.43.
CAP measures are found to have low impact in addressing climate needs due to their design	4.44.-4.48.
Balanced territorial development	4.49.-4.57.
The CAP creates few jobs in rural areas, and support to young farmers requires coordination of EU and national measures	4.52.-4.54.
Insufficient evidence exists about the effectiveness of the investment measures	4.55.-4.57.
Results of performance testing of transactions	4.58.
<b>Conclusions</b>	4.59.-4.64.



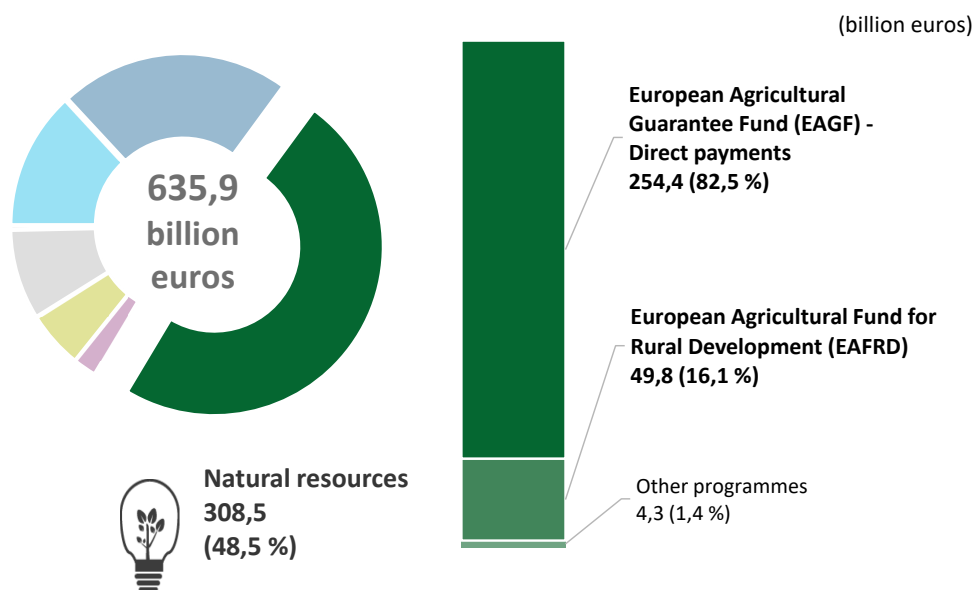
## **Annexes**

### **Annex 4.1 Objectives of the EAGF and EAFRD**

## Introduction

**4.1.** MFF heading 2 covers expenditure linked to policies on the sustainable use of natural resources, financing the *Common Agricultural Policy* (CAP), the Common Fisheries Policy, and environmental and climate action. Total planned expenditure under this heading in the 2014-2020 period is 420,0 billion euros (in current prices), of which 308,5 billion euros was transferred to the Member States by the end of 2019 (see [Figure 4.1](#)).

**Figure 4.1 – Natural resources: 2014-2019 payments on current MFF commitments, as a share of MFF payments under all headings and breakdown**



Source: ECA, based on Commission data.

## Scope and approach

**4.2.** *Appendix* describes the methodology used in this chapter.

**4.3.** This chapter focuses on CAP spending, which is channelled through the *European Agricultural Guarantee Fund* (EAGF, usually financed by the EU budget at a rate of 100 %) and the *European Agricultural Fund for Rural Development* (EAFRD, usually involving Member State co-financing). The CAP accounts for 98,6 % of the total amount budgeted for 2014-2020 under MFF heading 2.

**4.4.** *Annex 4.1* lists the objectives of the EAGF and EAFRD, and indicates those we selected for our examination of *performance* information. We cover the three general objectives of the CAP, five specific objectives of the EAGF, and five specific objectives of the EAFRD. We selected the specific objectives linked to the largest parts of CAP spending.

**4.5.** This chapter is largely based on a review of Commission information, supplemented by findings from our own audit and review reports, where available. We refer to our sources throughout the text.

# The CAP

## The purpose and functioning of the CAP

**4.6.** The CAP was introduced in 1962. Since then, it has been reformed several times. The 1992 reform shifted the CAP's focus from market support to direct payments to farmers. The 2003 reform introduced 'decoupling', a measure aimed at removing the link between *direct payments* and production.

**4.7.** CAP spending falls into three broad categories.

- Direct payments to farmers. These are mainly based on the area of agricultural land farmers have at their disposal, and are fully funded by the EU budget.
- Agricultural *market measures*. Most of these are fully funded by the EU budget.
- Member States' *rural development programmes*, co-financed by the EU budget at a rate of 20 % to 100 %, varying by measure and by region.

**4.8.** The Commission, in particular the Directorate-General for Agriculture and Rural Development (DG AGRI), shares responsibility for managing the CAP with the Member States.

**4.9.** The Treaties lay down high-level policy objectives for the CAP. These have been translated in secondary legislation<sup>1</sup> into three general objectives:

- (a) viable food production, with a focus on agricultural income, agricultural productivity and price stability;
- (b) sustainable management of natural resources and climate action, with a focus on greenhouse gas emissions, biodiversity, soil and water;
- (c) balanced territorial development, with a focus on rural employment, growth and poverty in rural areas.

---

<sup>1</sup> Article 110(2) of Regulation (EU) No 1306/2013.

**4.10.** The Commission identifies the following links between the general objectives and CAP interventions<sup>2</sup>.

- *Direct payments*, rural development and market measures should contribute to the objective of ‘viable food production’.
- *Cross-compliance*, ‘*greening*’ payments, and a number of rural development measures should contribute to the objective of ‘sustainable management of natural resources and climate action’.
- Several measures, such as farm and business development, local development and support for developing basic services and communication technologies in rural areas should contribute to the objective of ‘balanced territorial development’.

**4.11.** In 2017, the Commission set out a limited *intervention logic* for each of the main categories of CAP spending of 2014-2020, showing links between payment schemes and general objectives (see also paragraph 4.18 and *Figure 4.4*).

## Published performance information

**4.12.** There are two main sets of indicators intended to monitor the performance of the CAP, both based primarily on Member States’ reporting and data collected by Eurostat.

- The ‘*common monitoring and evaluation framework*’ (CMEF)<sup>3</sup> contains 210 indicators: 45 *context indicators*, 84 *output indicators*, 41 *result indicators*, 24 *target indicators*, and 16 *impact indicators*.
- The CAP *programme statements* contain 63 indicators, mostly drawn from the CMEF. Six are intended to measure impacts related to the three general objectives. The rest are output/*input*, result and impact indicators relating to the specific objectives.

---

<sup>2</sup> DG AGRI, 2017, Technical handbook on the monitoring and evaluation framework of the Common Agricultural Policy 2014-2020, pp. 13-14.

<sup>3</sup> The CMEF indicators are established in the Commission Implementing Regulation (EU) No 834/2014, as required under Article 110 of Regulation (EU) No 1306/2013.

**4.13.** The Commission reports performance annually through the *Annual Management and Performance Report* (AMPR) and the programme statements and DG AGRI provides some relevant information in its *Annual Activity Report* (AAR) (see paragraph 1.3). In December 2018, the Commission issued an initial report on the performance of the CAP<sup>4</sup>. The report addressed the three general CAP objectives, based on indicators, evaluations and other sources, covering the period from 2014 to 2017. However, given the delay to the start of the 2014-2020 CAP, the report provided limited information about policy performance. The Commission is required to issue a second such report by 31 December 2021<sup>5</sup>, by which time the legal framework for the post-2020 CAP should already have been adopted.

**4.14.** The Commission and the Member States are also required to carry out ex ante, mid-term and *ex post evaluations* of the EAFRD<sup>6</sup>. The Commission published a summary report of ex ante evaluations of national and regional 2014-2020 *rural development programmes* (RDPs) in 2016. It published a summary report of the ex post evaluations of the 2007-2013 period in July 2020, after its legislative proposals for the post-2020 CAP had been submitted. Depending on the length of the transitional period, the Commission is required to prepare a summary report of the main conclusions of ex post evaluations of the EAFRD for 2014-2020 by December 2026 or December 2027. In either case, by that time it should already have made its proposals for the post-2027 period. In addition, the Commission may carry out evaluations at any time<sup>7</sup>. Evaluation can provide greater insight into performance and policy impacts than indicators alone.

---

<sup>4</sup> COM(2018) 790 final.

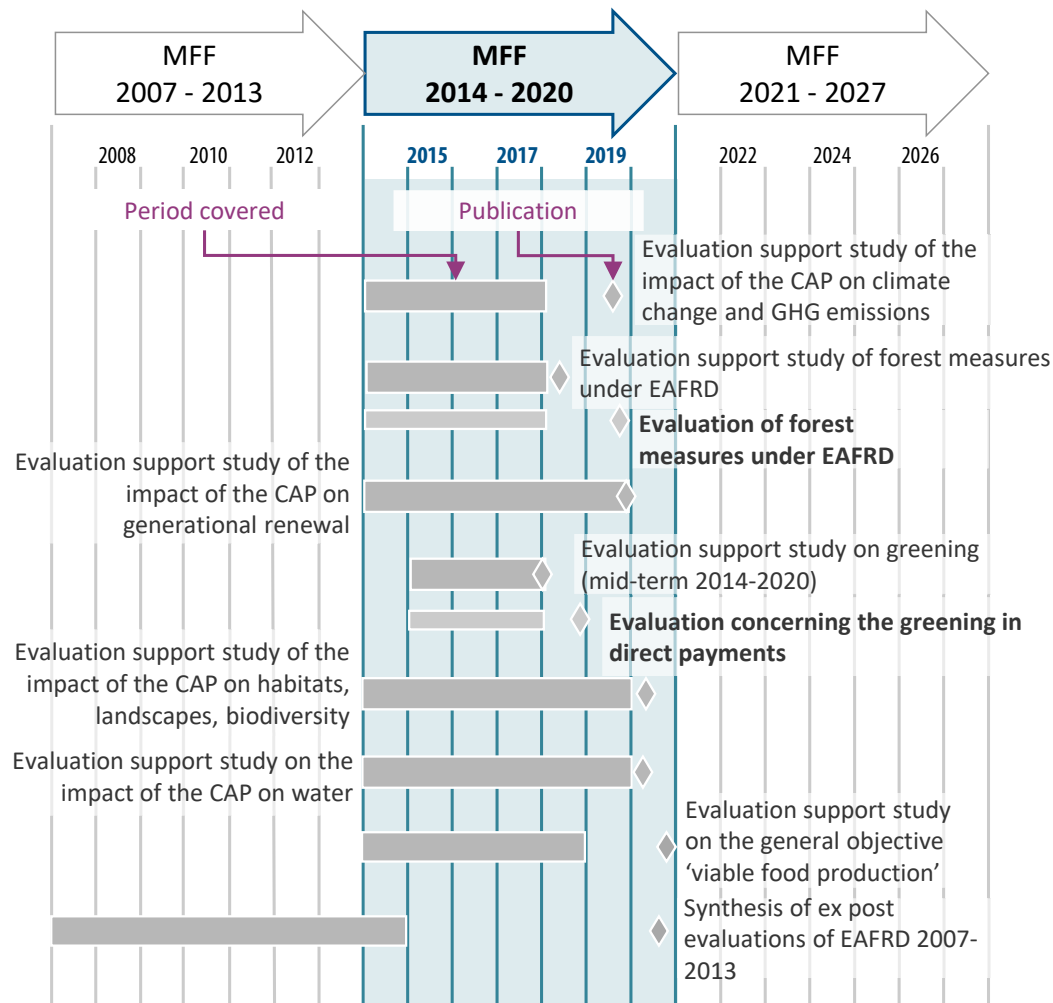
<sup>5</sup> Article 110 of Regulation (EU) No 1306/2013.

<sup>6</sup> Regulation (EU) No 1303/2013, Article 55 (ex ante), Article 56 (evaluations during the programming period) and Article 57 (ex post).

<sup>7</sup> Article 110 of Regulation (EU) No 1306/2013.

**4.15.** The Commission (DG AGRI) signs contracts with external evaluators to carry out ‘evaluation support studies’. The results of these studies feed into *Staff Working Documents*, referred to as evaluations. The Commission has published various studies and evaluations on the CAP. **Figure 4.2** shows the main reports referred to in this chapter.

**Figure 4.2 – Timing of main evaluations and periods covered**



**Commission evaluation published as a Staff Working Document**

Evaluation support study carried out on behalf of the Commission

Source: ECA.

## Assessing CAP performance based on published information

### General comments

**4.16.** *Figure 4.3* provides an overview of all the CAP indicators included in the programme statements. More detailed overviews per specific objective are presented in *Figure 4.5*, *Figure 4.8*, and *Figure 4.10*. In paragraph 1.24 we discuss some general limitations<sup>8</sup> applying when interpreting these indicators. In particular, our assessment whether a given indicator is ‘on track’ relates to the likelihood of this indicator meeting its target. This assessment does not take into account whether, and how closely, a given indicator is linked to the CAP actions and objectives, nor whether the target set for this indicator is adequately ambitious. Therefore, it is only a first step in analysing CAP performance. We have also not audited the reliability of the underlying data, but we discuss it in chapter 1 (see paragraphs 1.13-1.23). We identified the following weaknesses in the set of performance indicators:

- Most indicators relate to inputs or outputs (see paragraphs [4.19](#) and [4.42](#)), as noted also by the World Bank<sup>9</sup>. These indicators show the level of *absorption* of EU funds rather than the results or impacts of the policy.
- The impact indicators are based on general macroeconomic variables, on which the effects of the CAP can be both unclear and difficult to measure (see paragraphs [4.17](#), [0](#) and [4.51](#)).
- 14 indicators do not have a specific, quantified target. They therefore only indicate trends (see paragraph [4.20](#)).
- Seven indicators do not relate to the performance of the CAP, but to assurance on *regularity* of spending, public awareness of the CAP and policy information support within DG AGRI.

---

<sup>8</sup> See also paragraphs 3.21-3.35 of the 2018 annual report, where we examined performance indicators for the EAGF and EAFRD.

<sup>9</sup> World Bank, 2017, Thinking CAP: supporting agricultural jobs and incomes in the EU, p. 13.



Figure 4.3 – Overview of all CAP indicators in the programme statements

According to the Commission data, are the CAP indicators on track to meet their targets ?

	Input and output	Programme outcome indicators	
		Result	Impact
General objective 1 – ‘Viable food production’			
General objective 2 – ‘Sustainable management of natural resources and climate action’			
General objective 3 – ‘Balanced territorial development’			
Horizontal policy issues			
Assurance, awareness and information support			

	Indicators on track to meet their targets?		
	ON TRACK	NOT ON TRACK	UNCLEAR
Indicators with quantified targets			
Indicators without quantified targets			

*Note:* Our analysis is based on Commission data that we have not audited.

The above illustration of whether indicators are ‘on track’ relates to our assessment of the probability that a given indicator will reach its target. However, an indicator may not be affected by the actions implemented under the programme, or it may not be relevant to the programme’s objective – and its target may not reflect adequate ambition. Therefore, the fact that an indicator is ‘on track’ to meet its target does not necessarily mean that the programme itself is on track to meet its objectives. See also the **Appendix** (point 18).

*Source:* ECA, based on the programme statements for the 2021 draft budget.

**4.17.** The information in the AMPR is aligned with the underlying data in the programme statements. However, in focusing on the outputs of spending and presenting macroeconomic data without specifying the CAP contribution, the AMPR gives an overly optimistic view of achievements (see [Box 4.1](#)). It does not discuss the efficiency of spending. The Commission noted that significant challenges remain in achieving policy objectives.

**Box 4.1****Examples of overly optimistic performance reporting in the AMPR**

The Commission states that ‘over 85 % of the targets for climate actions in the agricultural sector have already been reached in the management of biodiversity, soil and water’<sup>10</sup>. These targets are based on the areas under specific EAFRD measures, i.e. outputs. They do not show whether the payments had any effect on the condition of supported areas.

The Commission claims that the EAFRD ‘is making an important contribution to development. For example, broadband access in rural areas has improved considerably (59 % of households had next-generation access in 2019)’<sup>11</sup>. There is no information on the contribution of the EAFRD to this figure in the AMPR.

**Limited intervention logic underlying the CAP**

**4.18.** The Commission has set out a limited intervention logic for direct payments, market measures and rural development<sup>12</sup>. The Commission’s intervention logic connects CAP objectives, measures and output indicators, but does not identify needs or intended results and targets. The Commission’s intervention logic for direct payments (see [Figure 4.4](#)) does not define which level of income the CAP aims to achieve for farmers. For the EAFRD, the regulation requires Member States to show a link between needs and measures in rural development programmes (RDPs)<sup>13</sup> and to set targets for their result indicators.

---

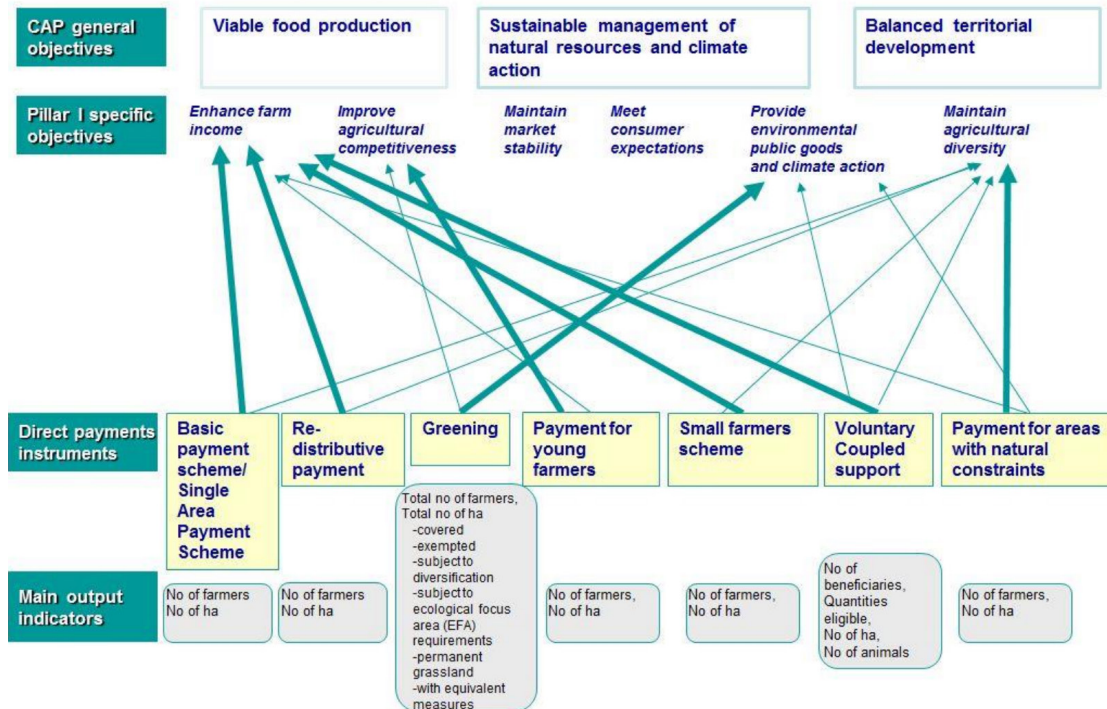
<sup>10</sup> AMPR 2019, p. 27.

<sup>11</sup> AMPR 2019, p. 29.

<sup>12</sup> DG AGRI, 2017, Technical handbook on the monitoring and evaluation framework of the Common Agricultural Policy 2014-2020, pp. 13-14.

<sup>13</sup> Article 8 of Regulation (EU) No 1305/2013.

**Figure 4.4 – The Commission’s intervention logic for direct payments**



Source: DG AGRI, 2017, Technical handbook on the monitoring and evaluation framework of the Common Agricultural Policy 2014-2020, p. 13.

### Most CAP indicators measure outputs rather than results

**4.19.** As shown in [Figure 4.3](#), most of the programme statements’ indicators measure outputs. Output indicators have a direct link to the activities financed by the EU budget, but provide little information about progress towards meeting policy objectives. Several programme statements’ indicators also describe the economic, environmental and social context where the CAP operates, which we consider positive. Overall, however, the indicators often fail to monitor the specific results of CAP interventions. The Commission considers that policy performance may be observed relatively reliably at output level, while the influence of external factors becomes more important when seeking to measure results and particularly impacts<sup>14</sup>. Without a developed intervention logic and adequate result indicators from the outset, the Commission is unable to demonstrate that the CAP meets its objectives until it carries out evaluations.

**4.20.** The targets for CAP general objectives and most EAGF specific objectives are expressed as desired trends (e.g. “to increase” *agricultural factor income* or “to decrease” greenhouse gas emissions from agriculture). Multiple external factors

<sup>14</sup> COM(2018) 790 final.

impact the final outcome, and the Commission has not always identified a causal relationship between the CAP and the variable. Targets expressed only as directions and not as quantified values make it impossible to identify milestones.

**4.21.** Since most CMEF indicators that are not in the programme statements are output indicators, they do not provide significant additional information on performance towards achieving policy objectives. In 2016, the Commission's Internal Audit Service examined the CMEF and found significant weaknesses 'in the setting of objectives, in the set of indicators used and in the collection of data which may impair DG AGRI's ability to monitor, evaluate and report on the performance of the 2014-2020 CAP'<sup>15</sup> (see also paragraph 1.18). Evaluation support studies frequently note that a lack of monitoring data (on measures) is a limitation when analysing impact. Our special reports<sup>16</sup> and our 2018 annual report also pointed out the limitations of the performance information collected through the CMEF indicators. The Commission has revised both the indicators and objectives in its post-2020 CAP proposals, and recognised the need to develop further the indicators<sup>17</sup>.

#### **Evaluation support studies do not cover the economy of CAP spending**

**4.22.** The evaluation support studies we reviewed did not cover questions about the economy of interventions. We have covered such issues in our reports. For example, we have identified cases where *beneficiaries* were overcompensated (e.g. greening<sup>18</sup> and some market measures related to fruit and vegetables<sup>19</sup>).

#### **Viable food production**

**4.23.** *Figure 4.5* provides an overview of the selection of indicators from the programme statements linked to general objective 1 (viable food production).

---

<sup>15</sup> COM(2017) 497 final, p. 8.

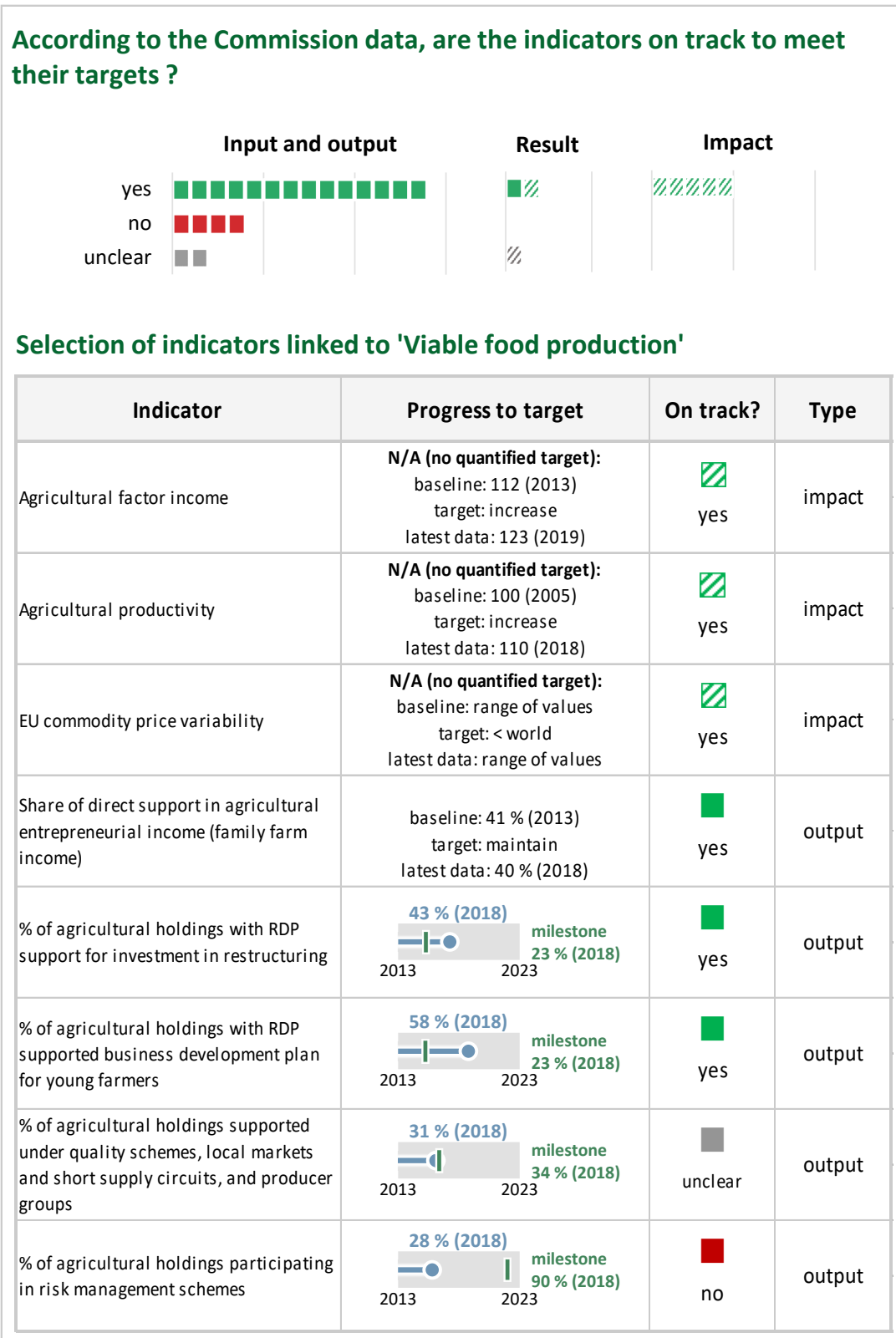
<sup>16</sup> See special reports No 1/2016 (performance measurement in relation to farmers' incomes), paragraph 92; No 10/2017 (young farmers), paragraphs 70-71; No 13/2020 (biodiversity on farmland), paragraphs 49, 59, 71, and 81.

<sup>17</sup> ECA opinion No 7/2018, paragraphs 68-71.

<sup>18</sup> Special report No 21/2017 – Greening, paragraphs 24-25.

<sup>19</sup> Special report No 23/2019 – Farmers' income stabilisation, paragraph 84.

**Figure 4.5 – Overview of indicators linked to general objective 1 and to relevant specific objectives**



Source: ECA, based on the programme statements for the draft budget 2021.

**4.24.** All three indicators linked to the general objective of viable food production (increasing *agricultural factor income*, increasing agricultural productivity, and limiting price variability) reflect macroeconomic developments. While these indicators show a positive trend, the CAP has little or no demonstrable impact on them. Numerous other factors influence income, productivity and prices. For example, agricultural factor income has increased due to increased productivity and a reduction in the amount of labour used in the farming sector. Similarly, market conditions and fluctuations in agricultural prices influence income levels<sup>20</sup>. The four output indicators related to EAFRD specific objectives 2 and 3 show the percentage of holdings supported, but do not assess the effect of this support.

#### **Direct payments reduce income volatility, but are largely untargeted**

**4.25.** Direct payments make up around 70 % of CAP spending. An evaluation support study suggests that, based on 2010-2015 data, direct payments have reduced farm income variability by around 30 %<sup>21</sup>.

**4.26.** The EAGF specific objective ‘to sustain farmers’ income stability by providing direct income support’ has a single indicator: ‘share of direct support in agricultural entrepreneurial income’. In 2017, the value of this indicator varied from 8 % in the Netherlands to 50 % in Slovakia. The target is to keep the ratio stable. However, this is not consistent with the policy objective of increasing the individual earnings of people engaged in agriculture while limiting the need for direct support.

---

<sup>20</sup> Evaluation study of the impact of the CAP measures towards the general objective ‘viable food production’, 2020, pp. 33-34, 53-54.

<sup>21</sup> Ibid, pp. 49-50.

**4.27.** In its 2019 AMPR, the Commission argued that farmers' income lagged behind salaries in the economy as whole. The Commission stated that, in 2017, average income in the farming sector was about 46,5 % of average wages in the EU-28 economy<sup>22</sup>. The Commission uses entrepreneurial income per family work unit as a proxy for farm income. However, this figure does not take into account the different demographics of the two populations (many farmers are of retirement age) or the non-farming income of farm households. Disposable income, also taking into account non-farming income, is a key element for assessing farmers' standard of living<sup>23</sup>.

**4.28.** In 2016, we recommended<sup>24</sup> that the Commission 'develop a more comprehensive statistical framework to provide information on the disposable income of farm households and to better capture the standard of living of farmers', and 'improve the framework for the comparison of farmers' incomes with incomes in other sectors of the economy'. The Commission has proposed four indicators on agricultural income for the post-2020 CAP, but is not planning to collect data on disposable income.

**4.29.** According to Eurostat, in 2016 about two-thirds of farms in the EU were smaller than 5 ha. As direct payments are linked to farm area, around 80 % of the support goes to around 20 % of beneficiaries. In fact, more than 30 % of the payments goes to 2 % of the beneficiaries, who each receive more than 50 000 euro in direct payments (see [Figure 4.6](#)). Various redistributive mechanisms (e.g. capping and redistributive payments) have had only a marginal effect<sup>25</sup>.

---

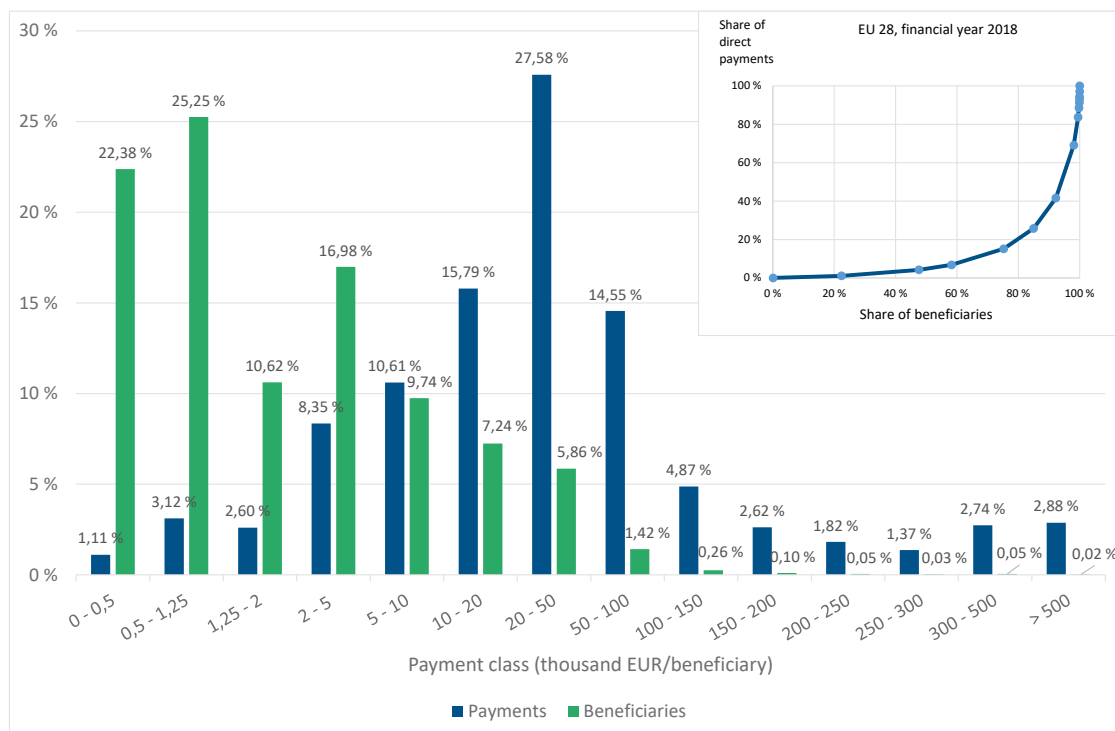
<sup>22</sup> CAP SPECIFIC OBJECTIVES ...explained – Brief No 1, pp. 2-3.

<sup>23</sup> Special report No 01/2016 – Is the Commission's system for performance measurement in relation to farmers' incomes well designed and based on sound data?, paragraph 26.

<sup>24</sup> Special report No 01/2016 – Is the Commission's system for performance measurement in relation to farmers' incomes well designed and based on sound data?, recommendation 1.

<sup>25</sup> ECA Review No 02/2018 – Future of the CAP (Briefing paper), p. 16; special report No 10/2018 – Basic Payment Scheme for farmers, paragraphs 49-63.

**Figure 4.6 – Distribution of direct payments by payment class and by share of beneficiaries, European Union (2018)**



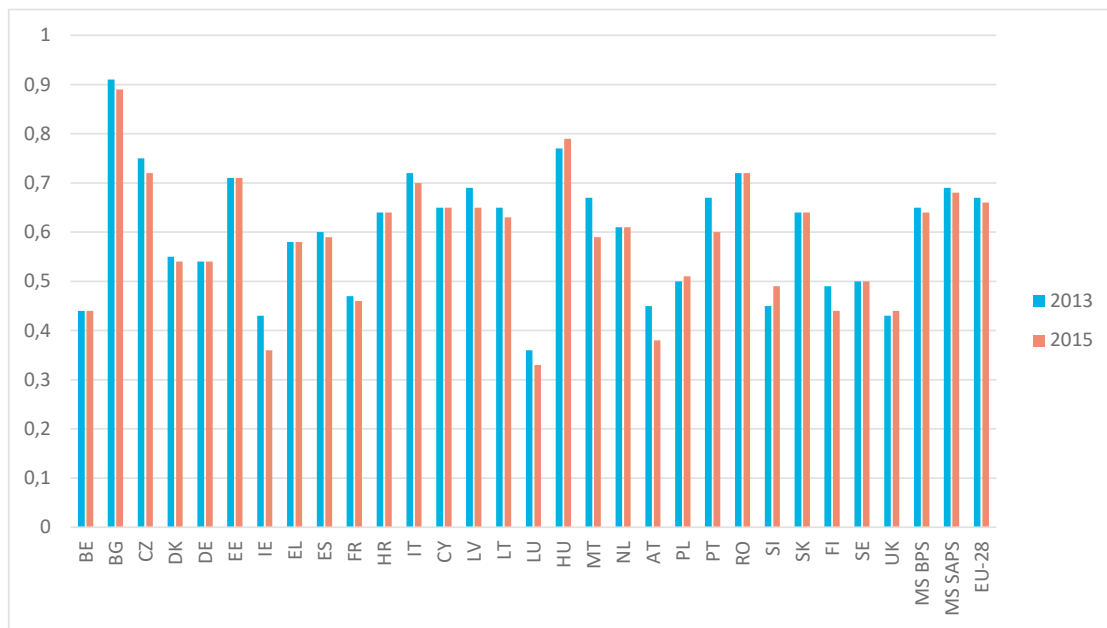
Source: ECA, based on Commission data.

**4.30.** The evaluation support study also examines the equitable distribution of direct support<sup>26</sup>. The study concludes that, based on *Gini coefficients*, the concentration of direct payment support changed little between 2013 and 2015 (see [Figure 4.7](#)).

<sup>26</sup> Evaluation study of the impact of the CAP measures towards the general objective “viable food production”, 2020, pp. 108-122.



**Figure 4.7 – Gini coefficients on direct payment support concentration, 2013 and 2015**



Note: 0 is perfect equity and 1 is complete inequity.

Source: EEIG Agrosynergie: Evaluation study of the impact of the CAP measures towards the general objective “viable food production”, p. 116.

**4.31.** The CAP performance indicators do not measure the efficiency of direct payments. An evaluation support study on viable food production<sup>27</sup> sought to answer the question ‘is CAP support given to those who need it most?’. The study concluded that the proportion of farms receiving direct payments and generating an income per unit of labour higher than average national labour productivity had decreased from 29 % in 2013 to 26 % in 2015<sup>28</sup>. The study found that 9 % of small farms and more than 30 % of large farms had income per unit of labour above this benchmark.

**4.32.** Assessing how much support is going to beneficiaries outside the target group could improve policy design and increase the efficiency of the CAP. This would involve identifying CAP funds paid to farmers whose income from farming exceeds the average income from farming and funds paid to beneficiaries whose main economic activity is not farming. Such data could also help to identify claims involving significant concentration of land (potentially representing ‘land-grabbing’). In addition, direct payments have contributed to increased land rents in some Member States, in

<sup>27</sup> Ibid, Section 10.

<sup>28</sup> Ibid, p. 224.

particular for low-productivity lands<sup>29</sup>. Evaluators have recommended that the Commission investigate direct payments' impact on the increase of land rents and appropriate countermeasures<sup>30</sup>.

### **Market interventions have helped stabilise markets, but not always in an efficient way**

**4.33.** In its AMPR, the Commission emphasises that no new market interventions were needed in 2018. An evaluation support study for the Commission concluded that the effectiveness of measures used in 2014-2017 varied<sup>31</sup>, as shown in [Table 4.1](#).

**Table 4.1 – Evaluation support study conclusions on market measures spending**

		Volumes	Timeliness	Effectiveness
Storable products	Butter	Not relevant	Rapid	Good
	Skimmed milk powder	Inadequate	Rapid/slow	Poor
	Cheese	Adequate	Rapid	Very good
	Pigmeat	Adequate	Rapid	Very good
Fruits and vegetables	Fruits and citrus	Adequate	Rapid/neutral	Good
	Vegetables	Adequate	Rapid	Very good

Source: EEIG Agrosynergie for DG AGRI, Evaluation study of the impact of the CAP measures towards the general objective “viable food production”, 2020, p. 148.

**4.34.** The Commission introduced temporary, exceptional support measures for certain producers of fruit and vegetables in the second half of 2014 following the Russian import embargo. The evaluation support study assesses the effectiveness of the fruit- and citrus-related measures as ‘good’, adding that better management of the system of withdrawals and exceptional measures could have improved effectiveness<sup>32</sup>. We found that the level of support did not take into account the existence of alternative outlets until the third year of the ban, and there were cases of overcompensation for crisis measures<sup>33</sup>.

<sup>29</sup> Ibid, p. 198.

<sup>30</sup> Ibid, p. 237.

<sup>31</sup> Ibid, p. 232.

<sup>32</sup> Evaluation study of the impact of the CAP measures towards the general objective “viable food production”, 2020, p. 148.

<sup>33</sup> Special report No 23/2019 – Farmers’ income stabilisation, paragraphs 84, 89.

### **Risk management tools have low uptake**

**4.35.** The indicator ‘percentage of agricultural holdings participating in risk-management schemes’ measures the proportion of farmers receiving CAP support for insurance premiums, and participating in mutual funds and other income stabilisation tools. Based on the programme statements, the indicator’s progress towards target did not reach its 2018 milestone. By the end of 2018, 28,3 % of the target value for 2023 had been achieved. In the programme statements, the Commission stated that the low uptake is because ‘this type of support is new and needs some time to be fully managed’. We have found that most farmers who take out insurance policies do so without EU support, and that direct payments themselves significantly reduce income volatility<sup>34</sup>.

### **There is little information available on the effectiveness of rural development measures supporting farm viability**

**4.36.** The AMPR states that the level of achievement of the EAFRD targets related to improving farm viability and competitiveness is ‘relatively good’. However, these indicators reflect the share of EU agricultural holdings which have received support, and do not support conclusions on effectiveness. Data available for the evaluation support study on viable food production was not sufficient to draw clear conclusions on the effectiveness of the EAFRD measures. At the beginning of 2020, Member States had used less than half of the EAFRD budget planned for farm viability and competitiveness in 2014-2020.

### **Sustainable management of natural resources and climate action**

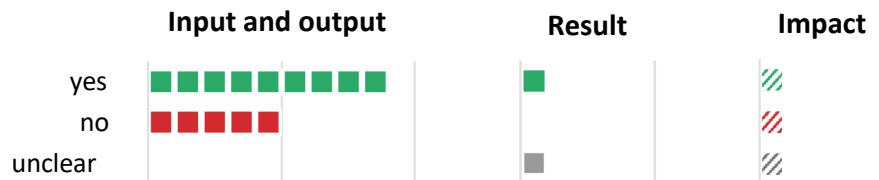
**4.37.** *Figure 4.8* provides an overview of the selected indicators from the programme statements linked to general objective 2 (sustainable management of natural resources and climate action).

---

<sup>34</sup> Ibid, paragraphs 16-22, 41.

**Figure 4.8 – Overview of indicators linked to general objective 2 and to relevant specific objectives**

**According to the Commission data, are the indicators on track to meet their targets ?**



**Selection of indicators linked to 'Sustainable management of natural resources and climate action'**

Indicator	Progress to target	On track?	Type
Greenhouse gas emissions from agriculture	<b>N/A (no quantified target):</b> baseline: 488 Kt CO <sub>2</sub> eq. (2013) target: decrease latest data: 502 Kt CO <sub>2</sub> eq. (2017)	 no	impact
Water abstraction in agriculture: volume of water applied to soils for irrigation purposes	<b>N/A (no quantified target):</b> baseline: incomplete data target: decrease latest data: incomplete data	 unclear	impact
The ratio of permanent grassland within a Member State in relation to the total agricultural area	<b>N/A (no quantified target):</b> baseline: not specified target: maintain (within limit) latest data: maintained	 yes	result
Share of area under greening practices	baseline: 75 % (2015) target: maintain latest data: 79 % (2018)	 yes	output
% of agricultural land under management contracts contributing to biodiversity	 95 % (2018) milestone 70 % (2018) 2013 2023	 yes	output
Percentage of forest area under management contracts contributing to biodiversity	 20 % (2018) 2013 2023	 no	output
% of irrigated land switching to more efficient irrigation systems	 40 % (2018) 2013 2023	 unclear	result

Source: ECA, based on the programme statements for the draft budget 2021.

**4.38.** Most programme statements' indicators for the specific objectives under the natural resources and climate action concern the area or number of animals subject to the various measures or commitments, without measuring the benefits achieved for the environment. There are just 2 result indicators (see paragraphs 4.43 and 4.46) out of a total of 19 indicators.

**The CAP has potential to contribute to the sustainable use of natural resources, but there is not enough data to assess effectiveness**

**4.39.** In its latest AMPR, the Commission considers it an achievement that 79 % of the EU's total agricultural area was subject to at least one greening obligation in 2018. However, we found<sup>35</sup> that greening had had little measurable effect on farming practices and the environment. It had led to changes in farming practices on around 5 % of all EU farmland and tended to minimise disturbance to established farming practices. Greening remained essentially an income-support scheme<sup>36</sup>.

**4.40.** Member States define standards for the 'good agricultural and environmental condition of land', which forms a part of cross-compliance. Some Member States have set these standards at undemanding levels<sup>37</sup>. In addition, variations in application from one Member State to another, also in terms of administrative penalties for non-compliance, stretches the concept of a 'level playing-field'<sup>38</sup>. Certain cross-compliance standards may contribute to biodiversity, but the Commission and the Member States have not measured their impact<sup>39</sup>.

**4.41.** Where properly targeted, agri-environment-climate measures can contribute significantly to biodiversity. This is most likely where schemes cover a substantial portion of the farmed landscape or focus on specific risks. One constraint is a low level

---

<sup>35</sup> Special report No 21/2017 – Greening.

<sup>36</sup> Special report No 21/2017 – Greening, paragraphs 24-25.

<sup>37</sup> Evaluation of the impact of the CAP on habitats, landscapes, biodiversity, 2020, pp. 77-78.

<sup>38</sup> European Commission, 2017, Modernising and simplifying the CAP: Climate & Environmental challenges facing agriculture and rural areas, p. 21; ECA special report 26/2016 – Making cross compliance more effective and achieving simplification remains challenging.

<sup>39</sup> Special report No 13/2020 – Biodiversity on farmland, paragraphs 41-50.

of uptake by farmers<sup>40</sup>. For some EAFRD measures, we found cases where compensation did not cover scheme participation costs (e.g. Natura 2000 payments in some Member States<sup>41</sup>).

**4.42.** For the specific EAFRD objective related to ecosystems, the forestry-related output indicators at EU level showed that the uptake of forestry measures has been modest. The Commission's evaluation on forestry measures<sup>42</sup> concludes that although there is room for improvement, the measures have supported certain actions that would either not have been funded to the same extent or not implemented at all.

**4.43.** The indicator 'percentage of irrigated land switching to more efficient irrigation systems' relates to EAFRD specific objective 5. The target for 2023 is 13,0 %; in 2018, the result was 5,26 %<sup>43</sup>, i.e. 40 % of the way towards reaching the target. Overall progress is unclear. Based on a sample of Member States, the evaluation support study found that there is no clear verification of the water savings achieved after the completion of the EAFRD investment<sup>44</sup>.

**CAP measures are found to have low impact in addressing climate needs due to their design**

**4.44.** Emissions from agriculture accounted for around 12,6 % of total EU greenhouse gas emissions in 2017<sup>45</sup>. Greenhouse gas emissions from agriculture have fallen by more than 20 % since 1990<sup>46</sup>, but have stalled since 2010 (see [Figure 4.9](#)).

---

<sup>40</sup> Evaluation of the impact of the CAP on habitats, landscapes, biodiversity, 2020; ECA special report 13/2020: Biodiversity on farmland.

<sup>41</sup> Special report No 1/2017 – More efforts needed to implement the Natura 2000 network to its full potential, paragraphs 59-60.

<sup>42</sup> SWD(2019) 389 final.

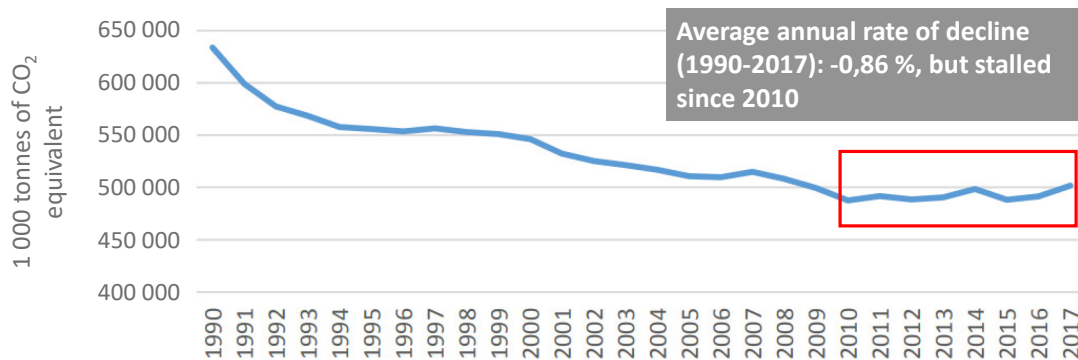
<sup>43</sup> Programme statements for the 2021 draft budget.

<sup>44</sup> Evaluation of the impact of the CAP on water, 2019, pp. 157-158.

<sup>45</sup> DG AGRI AAR 2019, p. 38.

<sup>46</sup> Programme statements for the 2021 draft budget.

**Figure 4.9 – Greenhouse gas emissions from EU agriculture since 1990, EU-28**



Source: DG AGRI 2019 AAR, p. 38, modified.

**4.45.** The EU has set an overall target of 40 % cuts in greenhouse gas emissions (from 1990 levels) by 2030<sup>47</sup>. Following the Green Deal, and the ambition to achieve a climate-neutral EU by 2050, the Commission proposed to increase the EU's greenhouse gas emission reductions target for 2030 to at least 55 % compared with 1990 levels. In 2019, there was no specific roadmap for reducing emissions in the EU agriculture<sup>48</sup>.

**4.46.** The indicator 'the ratio of *permanent grassland* or pasture within a Member State in relation to the total agricultural area' is based on data provided by farmers, and is related to one of their greening obligations. Permanent grassland is maintained under greening primarily for the purpose of carbon sequestration<sup>49</sup>. The target is to maintain the ratio within the limit of 5 % in relation to a reference ratio. In 2019, no Member State had a ratio falling outside the limit of 5 % (data available for 21 Member States)<sup>50</sup>. Member States may allow ploughing of permanent grassland. Studies indicate that ploughed and reseeded grassland has lower environmental value and can actually give rise to increased CO<sub>2</sub> emissions compared to no ploughing<sup>51</sup>. There is

<sup>47</sup> Communication from the Commission (...) A policy framework for climate and energy in the period from 2020 to 2030. COM(2014) 015 final.

<sup>48</sup> Special report No 18/2019 – EU greenhouse gas emissions.

<sup>49</sup> Recital 42 of Regulation (EU) No 1307/2013.

<sup>50</sup> DG AGRI AAR 2019, Annex, p. 234.

<sup>51</sup> Evaluation study of the impact of the CAP on climate change and greenhouse gas emissions, 2019, pp. 78-84.

insufficient data to show that permanent grassland has not been ploughed<sup>52</sup>. As part of our *statement of assurance* audit work we interviewed 65 farmers cultivating around 4 600 ha of permanent grassland. Almost 37 % of them had ploughed and reseeded a part of this grassland at least once since 2015. 10 % ploughed and reseeded grassland every year.

**4.47.** The evaluation support study on climate change notes that the compulsory measures (e.g. greening and cross-compliance) do not sufficiently address greenhouse gas emissions from livestock and cropland management. There are no CAP measures through which Member States can compel farmers to take action to reduce greenhouse gas emissions from livestock and crop management<sup>53</sup>.

**4.48.** In its AMPR, the Commission has acknowledged the need to increase the effectiveness and improve the targeting of the CAP to contribute to the environment and climate objective.

### Balanced territorial development

**4.49.** The EAGF is focused on keeping on-farm jobs, while the EAFRD is also aimed at creating off-farm jobs. However, agriculture is a small part of GDP even in rural areas. EAFRD support is perceived as having a limited impact on the wider rural economy<sup>54</sup>. The AMPR contains information on jobs and broadband access, but does not provide any relevant performance information for the balanced territorial development objective.

**4.50.** *Figure 4.10* provides an overview of the programme statements' indicators linked to the general objective 'balanced territorial development'.

---

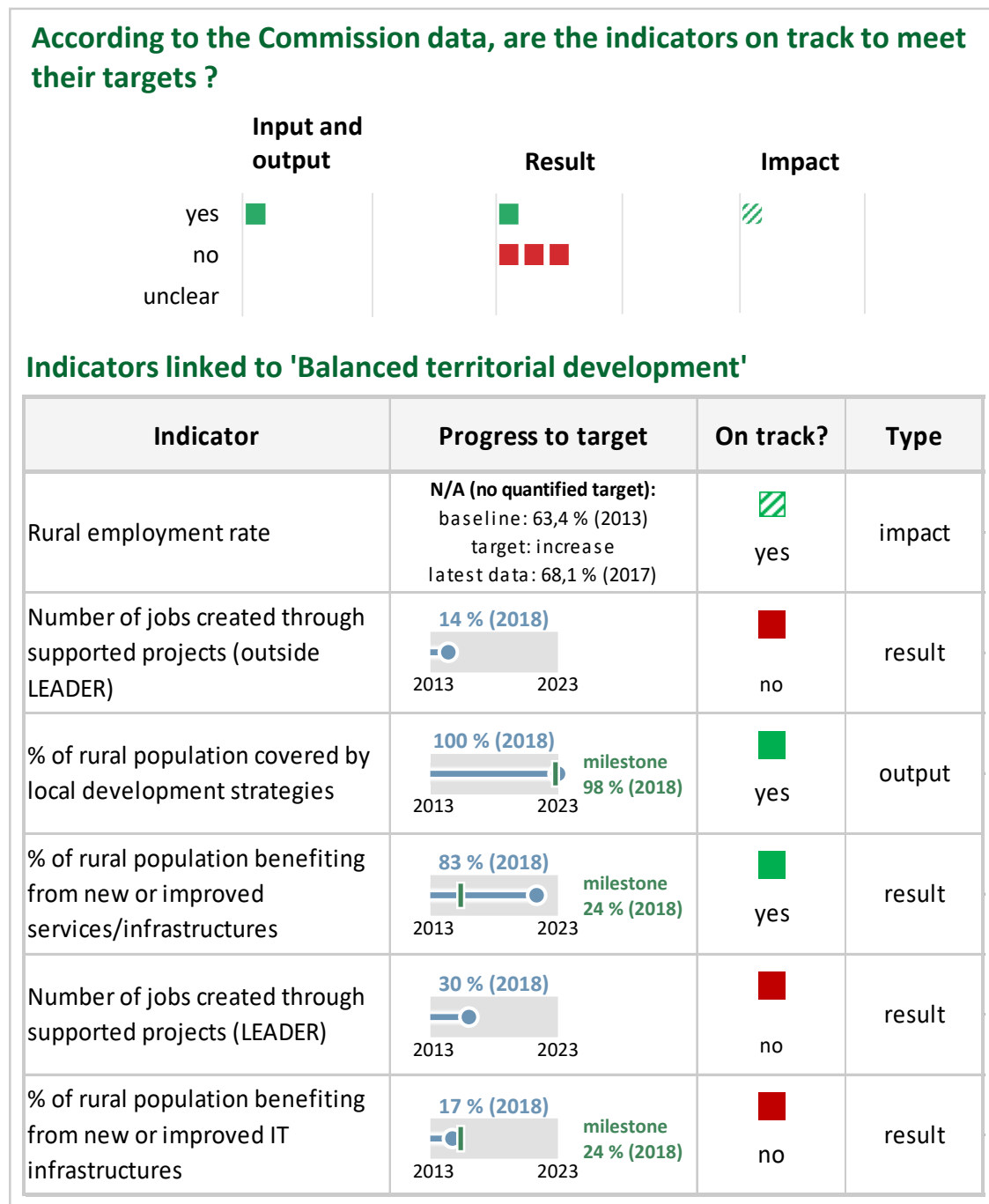
<sup>52</sup> Ibid. p. 236.

<sup>53</sup> Evaluation study of the impact of the CAP on climate change and greenhouse gas emissions. Executive Summary, 2019, p. 2.

<sup>54</sup> European Parliament (2016), The role of the EU's Common Agricultural Policy in creating rural jobs, Research for the Committee on Agriculture and Rural Development, IP/B/AGRI/IC/2015\_158, p. 99.



**Figure 4.10 – Overview of indicators linked to general objective 3 and to relevant specific objectives**



Source: ECA, based on the programme statements for the 2021 draft budget.

**4.51.** The only programme statements' indicator for the general objective of 'balanced territorial development' is 'rural employment rate'<sup>55</sup>. This rate increased from 63,4 % in 2012 to 68,1 % in 2018. The influence of the CAP is uncertain, but

<sup>55</sup> DG AGRI, AAR 2019, Annex 12.

limited (see paragraph 4.52). Over the same period the general employment rate increased from 68,4 % to 72,2 %. The external economic environment and numerous national policies directly and indirectly affect employment in rural areas<sup>56</sup>. The AMPR acknowledges these external factors.

**The CAP creates few jobs in rural areas, and support to young farmers requires coordination of EU and national measures**

**4.52.** The number of jobs recorded as directly created by LEADER by the end of 2018 was 13 337 (30 % of the 2023 target) and less than 0,05 % of total employment in rural areas. For other rural development measures, the number of jobs created was 10 784 (14 % of the target). The Commission notes in its programme statements that it does not have reliable data on jobs created under LEADER.

**4.53.** Evaluation support studies<sup>57</sup> suggest that regional and sectorial context has a significant impact on employment in rural areas, and that CAP measures have little impact on rural jobs.

**4.54.** Young farmers can receive additional direct payments under the EAGF and one-off support from the EAFRD for setting up their first agricultural holding. Our findings coincide with those of evaluation support studies: EAGF support for young farmers has little to no impact, while EAFRD support is more effective, mainly because it is better targeted<sup>58</sup>. CAP generational renewal measures have been found to be effective in ‘cases where complementary national, regional and local governance institutions and fiscal policies also support and enhance’ those measures<sup>59</sup>.

---

<sup>56</sup> European Parliament, 2016, The role of the EU’s Common Agricultural Policy in creating rural jobs, Research for the Committee on Agriculture and Rural Development, IP/B/AGRI/IC/2015\_158.

<sup>57</sup> Evaluation of Article 68 measures, 2016; Evaluation of the impact of the CAP on generational renewal, local development and jobs in rural areas, 2019.

<sup>58</sup> Evaluation of the impact of the CAP on generational renewal, local development and jobs in rural areas, 2019; ECA special report No 10/2017: EU support to young farmers should be better targeted to foster effective generational renewal; SURE-Farm: Impact of the Young Farmers payment on structural change, 2020.

<sup>59</sup> Evaluation of the impact of the CAP on generational renewal, local development and jobs in rural areas, 2019.

### Insufficient evidence exists about the effectiveness of the investment measures

**4.55.** The Commission states in its AMPR that broadband access in rural areas has improved considerably, but it holds no further information on the EAFRD's contribution to the development of rural areas. An evaluation support study assessing the general objective of balanced territorial development in 2014-2020 is ongoing.

**4.56.** The programme statements' indicators 'percentage of rural population benefiting from improved services/infrastructure' and 'percentage of rural population benefiting from improved IT infrastructure/services' are calculated by dividing the 'size of the population in the area (e.g. municipality, group of municipalities) benefiting from the services/infrastructure' by 'Total rural population covered in the RDP area'<sup>60</sup>. Member States can report the entire population of a municipality, irrespective of the number of users benefiting from the action<sup>61</sup>. We highlighted the same issue for the 2007-2013 period in 2015<sup>62</sup>.

**4.57.** A lack of comprehensive information on the number of projects, renewable energy production and installed capacity prevents the EAFRD's contribution to the deployment of renewable energy in rural areas from being quantified and assessed<sup>63</sup>.

---

<sup>60</sup> [https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/key\\_policies/documents/target-and-result-indicator-fiches-pillar-ii\\_en.pdf](https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/key_policies/documents/target-and-result-indicator-fiches-pillar-ii_en.pdf)

<sup>61</sup> Annual report of the Court of Auditors on the implementation of the budget concerning the financial year 2018, paragraph 7.59.

<sup>62</sup> Special report No 25/2015 – EU support for rural infrastructure, paragraph 81.

<sup>63</sup> Special report No 5/2018 – Renewable energy for sustainable rural development, paragraph 65.

## Results of performance testing of transactions

**4.58.** As part of our 2019 statement of assurance audit work, we reviewed the CMEF indicators for 135 rural development projects. For these projects we found:

- For 27 projects there was no clear link between the outputs and results of the action and the objectives of the *focus areas*.
- 42 projects had no relevant CMEF result indicator measuring the immediate and direct effects of the action. For 15 of these projects Member States had filled the reporting gap by setting national indicators. We present an example of a requirement to deliver results in [Box 4.2](#).

### Box 4.2

#### An example of a requirement to deliver results

In Poland, beneficiaries of investment measures, such as measure 4.1 – ‘Support to improve the overall performance and sustainability of an agricultural holding’, are required not only to deliver outputs (for example, the purchase of agricultural machinery), but also to achieve results, measured by an increase in the economic size<sup>64</sup> of their holding.

---

<sup>64</sup> An approximation of the annual production/turnover of a holding, expressed in euros.

## Conclusions

**4.59.** The 2019 AMPR provides little quantified information about the results and impact of the CAP, and presents an overly positive narrative about policy achievements by focusing on outputs rather than results. The Commission recognises in the 2019 AMPR that substantial challenges remain in enhancing the performance of the CAP (paragraphs [4.16-4.17](#)).

**4.60.** The indicators in the programme statements mainly provide information about outputs, which are more easily measurable and less affected by external factors than results and impacts. Overall, we find it positive that the programme statements' indicators describe the economic, environmental and social context of the CAP, and that the Commission uses various data sources to inform the indicators. A key weakness is that the Commission has not developed the indicators based on a detailed intervention logic from the outset, assessing links between the current situation, desired changes, the resources applied, and both the expected short-term and long-term effects (paragraphs [4.16-4.21](#)).

**4.61.** Evaluation can provide greater insight into performance and policy impacts than indicators alone. Several evaluation support studies cover the general objectives on viable food production and sustainable natural resources and climate action. An evaluation support study assessing the general objective of balanced territorial development is currently ongoing. As the current CAP started only in 2015, and monitoring data is often insufficient, many of the conclusions in the evaluation support studies are tentative. Depending on the length of the transitional period, the Commission is required to prepare a summary report of the main conclusions of ex post evaluations of the EAFRD for 2014-2020 by December 2026 or December 2027. In either case, by that time it should already have made its legislative proposals for the post-2027 period (paragraphs [4.14-4.15](#)).

**4.62.** In relation to the general objective on viable food production, direct payments have reduced farmers' income volatility. At the same time, the absence of benchmarks for a fair standard of living and of further targeting of the spending has reduced the efficiency of direct support. There is insufficient information to allow conclusions to be drawn on the performance of rural development measures in relation to this general objective (paragraphs [4.23-4.36](#)).

**4.63.** For the general objective on the sustainable management of natural resources and climate action, the indicators focus on the size of the area benefiting from the measures, but not on what has been achieved with the support. Concerning specifically climate change, the CAP measures are found to have low impact in addressing climate needs due to their design (paragraphs [4.37-4.48](#)).

**4.64.** The information reported by the Commission in the AMPR and programme statements in relation to the general objective on balanced territorial development is insufficient to assess the performance of the related EU spending (paragraphs [4.49-4.57](#)).

# Annexes

## Annex 4.1 Objectives of the EAGF and EAFRD

GENERAL OBJECTIVES			
OBJECTIVE NUMBER	FULL TEXT OF THE OBJECTIVE	SHORT VERSION USED IN THIS CHAPTER	PART OF OUR SAMPLE?
1	To promote a viable food production	Viable food production	Yes
2	To promote sustainable management of natural resources and climate action	Sustainable management of natural resources and climate action	Yes
3	To promote a balanced territorial development	Balanced territorial development	Yes
SPECIFIC OBJECTIVES			
OBJECTIVE NUMBER	FULL TEXT OF THE OBJECTIVE	SHORT VERSION USED IN THIS CHAPTER	PART OF OUR SAMPLE?
(EAGF) 1	To improve the competitiveness of the agricultural sector and enhance its value share in the food chain	Competitiveness	Yes
(EAGF) 2	To foster market stability	Market stability	Yes
(EAGF) 3	To better reflect consumer expectations	N/A	No
(EAGF) 4	To sustain farmers' income stability by providing direct income support	Income stability	Yes
(EAGF) 5	To promote a more market-oriented agriculture, by ensuring a significant level of decoupled income support	N/A	Yes
(EAGF) 6	To contribute to the enhancement of the environmental performance through the greening component of the direct payments. Contribute to the development of sustainable agriculture and to making Common Agricultural Policy more compatible with the expectations of the society through the cross compliance system. Contribute to preventing soil erosion, maintaining soil organic matter and soil structure, ensuring a minimum level of maintenance and avoiding the deterioration of habitats, and protecting and managing water	Environmental performance	Yes

SPECIFIC OBJECTIVES			
OBJECTIVE NUMBER	FULL TEXT OF THE OBJECTIVE	SHORT VERSION USED IN THIS CHAPTER	PART OF OUR SAMPLE?
	through the standards of good agricultural and environmental condition of land.		
(EAGF) 7	To promote local agricultural production and to ensure a fair level of prices for commodities for direct consumption and for processing by local industries in the Outermost Regions of the EU and in the Aegean Islands	N/A	No
(EAGF) 8	To provide the Commission with reasonable assurance that Member States have put in place management and control systems in conformity with EU rules designed to ensure the legality and regularity of the underlying transactions financed by the EAGF, EAFRD, SAPARD and IPARD and, where this is not the case, to exclude the expenditure concerned from EU financing so as to protect the EU's financial interests	N/A	No
(EAGF) 9	To inform and increase awareness of the CAP by maintaining an effective and regular dialogue with stakeholders, civil society, and specific target audiences.	N/A	No
(EAGF) 10	To facilitate decision making on strategic choices for the CAP and to support other activities of the DG by means of economic and policy analyses and studies	N/A	No
(EAFRD) 1	Fostering knowledge transfer and innovation in agriculture forestry and rural areas	N/A	No
(EAFRD) 2	Enhancing farm viability and competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and sustainable management of forests	Farm viability and competitiveness	Yes



SPECIFIC OBJECTIVES			
OBJECTIVE NUMBER	FULL TEXT OF THE OBJECTIVE	SHORT VERSION USED IN THIS CHAPTER	PART OF OUR SAMPLE?
(EAFRD) 3	Promoting food chain organisation, including processing and marketing of agricultural products, animal welfare and risk management in agriculture	N/A	Yes
(EAFRD) 4	Restoring, preserving and enhancing ecosystems related to agriculture and forestry	Ecosystems	Yes
(EAFRD) 5	Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors	N/A	Yes
(EAFRD) 6	Promoting social inclusion poverty reduction and economic development in rural areas	Development of rural areas	Yes

Source: ECA, based on the programme statements for the 2021 draft budget.

## Chapter 5

### Security and Citizenship

# Contents

	Paragraph
<b>Introduction</b>	5.1.-5.2.
<b>Scope and approach</b>	5.3.-5.5.
<b>The Asylum, Migration and Integration Fund (AMIF)</b>	5.6.-5.44.
<b>The purpose and functioning of AMIF</b>	5.6.-5.10.
<b>Published performance information</b>	5.11.
<b>Assessing AMIF's performance based on published performance information</b>	5.12.-5.44.
General comments	5.12.-5.20.
Some limitations in AMIF performance indicators	5.13.-5.17.
There are some important gaps in information about AMIF	5.18.-5.19.
The interim evaluation confirmed the relevance of AMIF	5.20.
Common European Asylum System	5.21.-5.27.
Even with the AMIF contribution, the absence of a political consensus means that the Common European Asylum System has not been fully realised	5.23.
AMIF has boosted resettlements, but they remain below target	5.24.
Significant disparities in Member States' recognition rates for asylum applicants from Afghanistan	5.25.
AMIF has increased the capacity of Member States to process asylum applications, but backlogs persist	5.26.-5.27.
Integration and legal migration	5.28.-5.34.
AMIF supports integration measures but its long term impact remains to be seen	5.30.
AMIF has limited influence on attracting highly skilled workers	5.31.-5.34.
Return policies and irregular migration	5.35.-5.41.
Unsatisfactory return rates persist	5.37.-5.41.
Solidarity and shared responsibility between Member States	5.42.-5.44.
AMIF boosted solidarity but was less successful in terms of sharing responsibility between Member States	5.43.-5.44.

## Conclusions

5.45.-5.50.

## Annexes

### Annex 5.1 Objectives of Programme AMIF

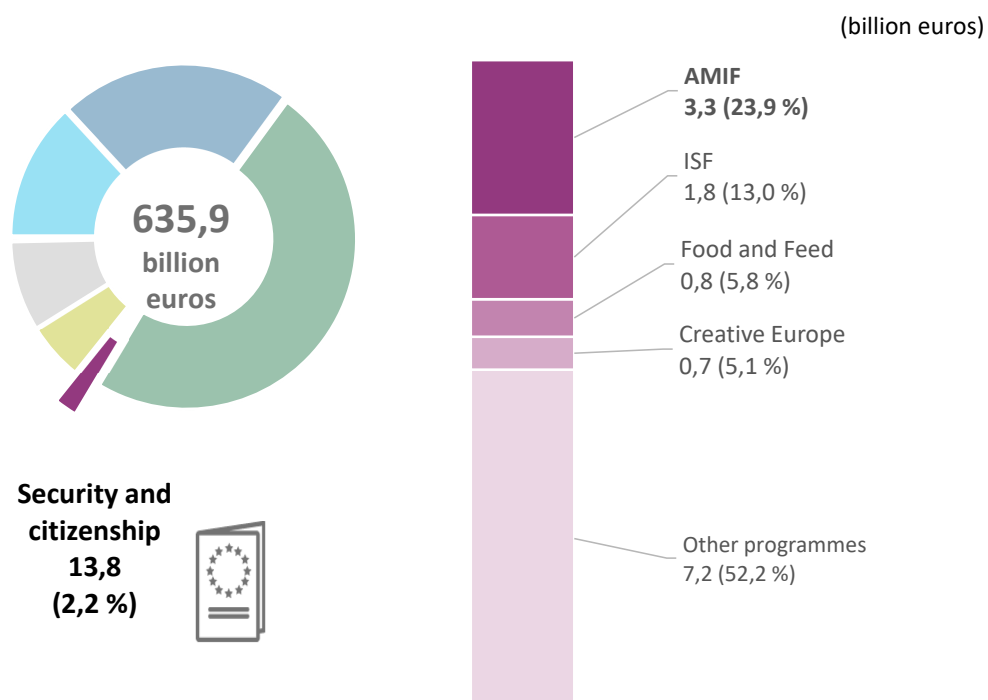
# Introduction

**5.1.** MFF heading 3 covers expenditure linked to policies with the aim of strengthening the concept of European citizenship by creating an area of freedom, justice and security without internal borders. It covers funding for:

- asylum and migration;
- internal security, covering harmonised border management, development of the common visa policy, cooperation among law enforcement agencies and improving capacity to manage security-related risks and crises;
- migration and security, judicial cooperation and health;
- human, animal and plant health;
- the culture and audio-visual sector; and
- justice, consumer rights, equality and citizenship.

**5.2.** The total planned expenditure under this heading for the 2014-2020 period is 17,7 billion euros, of which 13,8 billion euros was paid out by the end of 2019 (see [Figure 5.1](#)).

**Figure 5.1 – Security and Citizenship: 2014-2019 payments on current MFF commitments, as a share of MFF payments under all headings and breakdown**



Source: ECA, based on Commission data.

## Scope and approach

**5.3.** The **Appendix** describes the methodology used to prepare this chapter.

**5.4.** Of the 11 programmes under MFF 3 ‘Security and citizenship’, we selected one: the Asylum, Migration and Integration Fund (AMIF), representing 24 % of the payments to date under this MFF heading. [Annex 5.1](#) lists the general and four specific objectives of AMIF.

**5.5.** This chapter is largely based on a review of Commission information, supplemented by findings from our own audit and review reports, where available. We refer to our sources throughout the text.

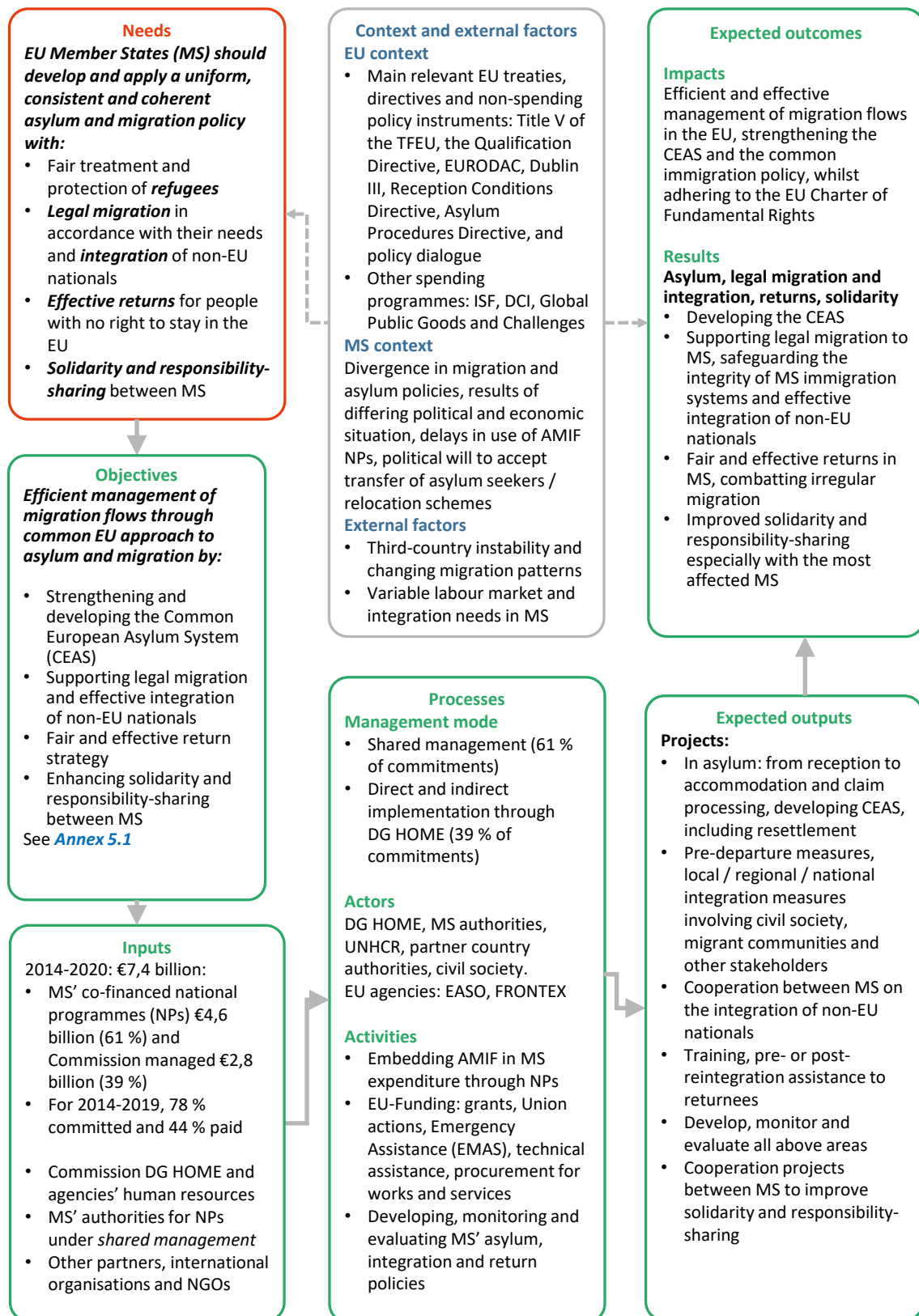
# The Asylum, Migration and Integration Fund (AMIF)

## The purpose and functioning of AMIF

**5.6.** *Figure 5.2* provides an overview of the fund and its background, based on the relevant legislation and Commission documents.



Figure 5.2 – Overview of AMIF



Source: ECA, based on Regulation 516/2014 establishing AMIF and Commission sources.

**5.7.** Established in 2014, AMIF aims to contribute to managing migration flows efficiently, and to developing, implementing and strengthening a common EU policy on asylum and migration, subsidiary protection, temporary protection and immigration, while upholding human dignity and the rights and principles enshrined in the Charter of Fundamental Rights of the European Union.

**5.8.** AMIF is predominantly managed by Member States through their national programmes (61 % of the fund's activities), with the remainder managed directly or indirectly by the Commission.

**5.9.** The fund finances wide-ranging activities aiming to:

- improve the Member State authorities' administrative capacity in the EU's asylum and migration policy;
- provide migrants with legal, social and material support;
- integrate non-EU nationals;
- accompany the voluntary or non-voluntary return of non-EU nationals;
- resettle and transfer beneficiaries of international protection;
- enhance cooperation in the EU; and
- provide emergency assistance and technical assistance for Member States.

**5.10.** The fund operates in a sensitive and changing context, with many factors that have consistently had an impact on its implementation:

- Member States do not have a concerted migration and asylum policy<sup>1</sup>;
- polarised public opinion on migration matters hinders Member State action<sup>2</sup>;

---

<sup>1</sup> [ECA briefing paper 4/2018](#), the integration of migrants from outside the EU, paragraph 20; and Commission *staff working document*: fitness check on EU legislation on legal migration, [SWD\(2019\) 1056 final](#).

<sup>2</sup> [ECA briefing paper 4/2018](#), the integration of migrants from outside the EU, paragraphs 22-23 and challenge 1.

- o significant delays in the adoption of the AMIF legal basis, and of the individual Member States' AMIF national programmes<sup>3</sup>;
- o the political, economic and security situation in countries of origin and transit;
- o the EU is dependent on third countries to cooperate on returns of their citizens<sup>4</sup>;
- o individual Member States have differing needs for integrating non-EU nationals<sup>5</sup>; and
- o Member States may lack the political will to take part in transfer of asylum seekers (*resettlement*) and relocation schemes<sup>6</sup>.

## Published performance information

**5.11.** In addition to its usual annual reporting on *performance* through the *Annual Management and Performance Report* (AMPR), *programme statements* and *annual activity reports* (AAR) (see paragraph 1.3), the Commission has made one interim performance evaluation of AMIF<sup>7</sup> (see [Figure 5.3](#)).

---

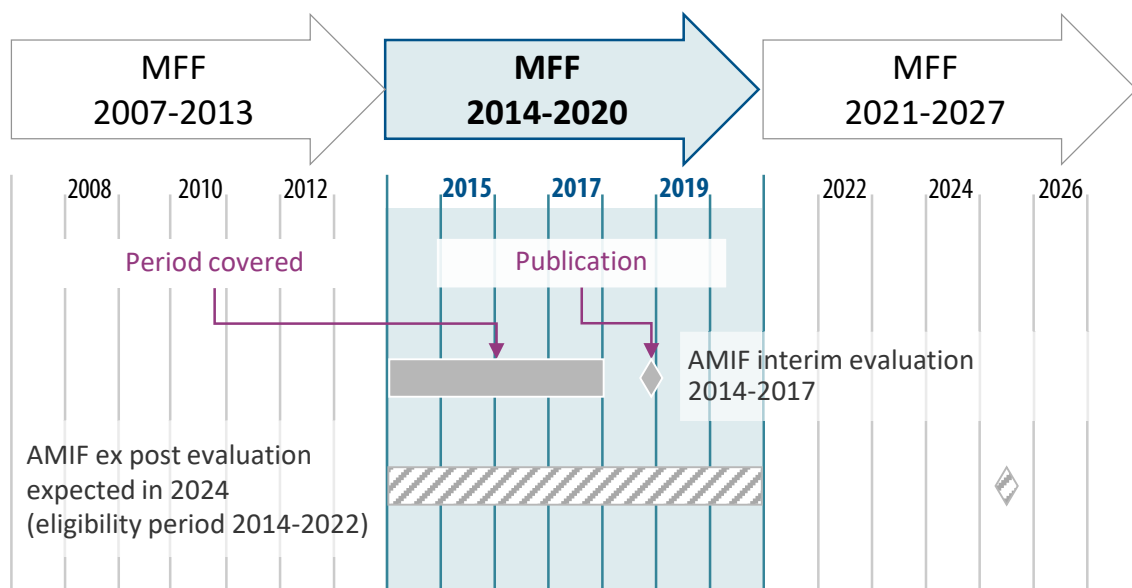
<sup>3</sup> See [paragraph 7.4 of our 2019 annual report](#).

<sup>4</sup> [DG Migration and Home Affairs 2019 annual activity report](#) (AAR), pp. 17-18.

<sup>5</sup> [ECA briefing paper 4/2018](#), the integration of migrants from outside the EU, paragraphs 20, and 40-42.

<sup>6</sup> Joined Cases C-715/17, C-718/17 and C-719/17 (*Court of Justice*), Court of Justice judgment of 2 April 2020 in *Commission v Poland, Hungary and the Czech Republic* for refusal to comply with the temporary mechanism for the relocation of applicants for international protection.

<sup>7</sup> Commission staff working document: Interim evaluation of the Asylum, Migration and Integration Fund, [SWD\(2018\) 339 final](#).

**Figure 5.3 – Timing of the main evaluations and periods covered**

Source: ECA.

## Assessing AMIF's performance based on published performance information

### General comments











**5.12.** *Figure 5.4* provides an overview of all the AMIF indicators included in the programme statements<sup>8</sup>. More detailed overviews per specific objective are presented in Figures 5.5-5.8. In paragraph 1.24 we discuss some general limitations<sup>9</sup> applying when interpreting these indicators. In particular, our assessments of whether an indicator is 'on track' relates to the likelihood of this indicator meeting its target. This assessment does not take into account whether, and how closely, a given indicator is linked to the AMIF actions and objectives, nor whether the target set for this indicator is adequately ambitious. Therefore, it is only a first step in analysing AMIF performance. We have also not audited the reliability of the underlying data, but we discuss it in chapter 1 (see paragraphs 1.13-1.23).

<sup>8</sup> Draft general budget of the EU for the financial year 2021, Working document part I programme statements of operational expenditure, COM(2020) 300 – June 2020, pp. 452-469.







<sup>9</sup> See also paragraphs 3.21-3.35 of our 2018 annual report.

**Figure 5.4 – Overview of all AMIF indicators in the programme statements**

**According to the Commission data, are the AMIF indicators on track to meet their targets?**

	Input and output	Programme outcome indicators	
		Result	Impact
Specific objective 1 'Common European Asylum System'			
Specific objective 2 'Integration and legal migration'			
Specific objective 3 'Return policies and irregular migration'			
Specific objective 4 'Solidarity and shared responsibility between Member States'			

	Indicators on track to meet their targets?		
	ON TRACK	NOT ON TRACK	UNCLEAR
Indicators with quantified targets			
Indicators without quantified targets			

*Note:* Our analysis is based on Commission data that we have not audited.

The above illustration of whether indicators are 'on track' relates to our assessment of the probability that a given indicator will reach its target. However, an indicator may not be affected by the actions implemented under the *programme*, or it may not be relevant to the programme's objective – and its target may not reflect adequate ambition. Therefore, the fact that an indicator is 'on track' to meet its target does not necessarily mean that the programme itself is on track to meet its objectives. See also the **Appendix** (point 18).

*Source:* ECA, based on programme statements for the 2021 draft budget.

### Some limitations in AMIF performance indicators

**5.13.** There are four general *impact* indicators (on actual returns compared to return decisions, percentage of voluntary returns, difference in employment rates between EU and non-EU nationals, and convergence of recognition rates for asylum applicants). These are not directly related to the performance of AMIF, although spending from the fund may contribute to the corresponding target.

**5.14.** Approximately two thirds of the indicators are *output* indicators, thus a measure of the operational implementation of AMIF closely related to the rate of spending the budget.

**5.15.** Five of the 24 indicator milestones for 2020<sup>10</sup> have already been achieved in previous years, but targets have not been adjusted upwards in line with good financial management practice to reflect the potential for more efficiency gains.

**5.16.** The performance information is based on data provided by Member States in their annual reports on the implementation of their national programmes<sup>11</sup>. In 2019, the Commission's internal audit service identified the need to strengthen its monitoring of the implementation of national programmes, and to improve the reliability and consistency of the data reported by Member States<sup>12</sup>.

---

<sup>10</sup> Indicators for number of persons provided with reception and asylum assistance, number of persons trained in asylum related topics, number of persons assisted with integration measures, number of measures for integration of non-EU nationals and number of monitored removal operations co-financed by AMIF – see [Annex 5.1](#).

<sup>11</sup> [Regulation \(EU\) No 516/2014](#) of the European Parliament and of the Council of 16 April 2014 establishing the Asylum, Migration and Integration Fund, article 3 and annex II. And [Commission delegated regulation \(EU\) 2017/207](#) of 3 October 2016 on the *common monitoring and evaluation framework* provided for in [Regulation \(EU\) No 514/2014](#) of the European Parliament and of the Council laying down the general provisions on the Asylum, Migration and Integration Fund and on the instrument for financial support for police cooperation, prevent and combating crime, and crisis management.

<sup>12</sup> Draft general budget of the EU for the financial year 2021, Working document part I programme statements of operational expenditure, [COM\(2020\) 300](#) – June 2020, p. 457.

**5.17.** The targets are the cumulative figures set by the Member States, but quantified needs are not included in the performance reporting framework. There is therefore no information with which to assess to what extent AMIF or the Member States have addressed those needs. For example, the indicator for the number of persons provided with reception and asylum support does not state how many people require support; the reception and accommodation places indicator does not quantify accommodation needs; and the number of returnees funded does not give the number of potential candidates for returns. Without that information, we cannot assess what proportion of total needs AMIF and Member States have met. Instead, the indicators serve as an input for a qualitative assessment of the fund's usefulness in terms of the contribution made by funding to policy objectives.

#### **There are some important gaps in information about AMIF**

**5.18.** The Commission manages AMIF emergency assistance (EMAS). The initial allocation of 100 million euros was increased to 2,2 billion euros for the period to 2020, representing 30 % of the fund. However, the Commission has not developed a performance monitoring framework for EMAS funded projects<sup>13</sup>. This results in limited, aggregated performance information being available on the overall EMAS related spending.

**5.19.** The AMPR and programme statements provide little information about economy and efficiency in implementing the fund, or about the cost effectiveness of AMIF actions.

#### **The interim evaluation confirmed the relevance of AMIF**

**5.20.** The Commission's interim evaluation indicates that AMIF is relevant and that it funded interventions that corresponded to the needs of Member States<sup>14</sup>. The activities funded are considered to bring high EU added value, as Member States acting alone cannot manage migration and asylum issues and migratory flows<sup>15</sup>. The evaluation found that the volume, process, scope and role of AMIF promote the

---

<sup>13</sup> ECA special report 24/2019 'Asylum, relocation and return of migrants: Time to step up action to address disparities between objectives and *results*', paragraph 78.

<sup>14</sup> Interim evaluation of the AMIF, final report, section 5.4, pp. 130-146.

<sup>15</sup> Regulation (EU) No 516/2014 Regulation (EU) No 516/2014 of the European parliament and of the Council of 16 April 2014 establishing the Asylum, Migration and Integration Fund, recital 58.

principles of solidarity, burden-sharing and mutual trust among Member States<sup>16</sup>, and the AMIF helps Member States to develop capacity and share best practices through a range of different networks, such as the European Migration Network<sup>17</sup>. **Box 5.1** gives an example covered by our audits.

### Box 5.1

#### AMIF's relevance and added value

Since the 2015 migration crisis, AMIF emergency assistance (EMAS) financial resources have been mobilised and increased to 2,2 billion euros, and AMIF has been substantially increased from 3,1 billion to 7,4 billion euros.

The Commission, EU agencies (EASO, Frontex, and Europol), and Member States deployed experts<sup>18</sup> to help Italy, Greece and other Member States cope with a high influx of asylum seekers in a short time period. They did this by responding to emergency needs and setting up hotspots to deal with the registration and processing of migrants.

It was a real and tangible act of EU solidarity, and the hotspot approach supported by AMIF helped to improve migration management in the two main frontline Member States under very challenging and constantly changing circumstances.

We examined 20 projects in the course of our follow-up audit<sup>19</sup> and found that all were relevant to the needs on the spot.

<sup>16</sup> Interim evaluation of the AMIF, final report, pp. 170-171.

<sup>17</sup> Interim evaluation of the AMIF, final report, pp. 173-174.

<sup>18</sup> ECA special report 24/2019 'Asylum, relocation and return of migrants: Time to step up action to address disparities between objectives and results', paragraphs 28-30.

<sup>19</sup> ECA special report 24/2019 'Asylum, relocation and return of migrants: Time to step up action to address disparities between objectives and results', paragraph 22 and annex II.



## Common European Asylum System

**5.21.** While the EU has established common standards for asylum and migration policies, Member States are responsible for implementation. The flow of refugees and migrants after 2015 exposed significant structural weaknesses in the design and implementation of the Common European Asylum System (CEAS), and demonstrated a need both for better compliance with international and EU norms and values, and for measures to increase trust in the EU. Among other things, this entailed lowering the levels of irregular migration to the EU, more effective and efficient asylum processes, faster socio-economic integration of asylum-seekers, and reinforced cooperation and partnerships with countries outside the EU for the purposes of managing migration<sup>20</sup>.

**5.22.** *Figure 5.5* provides an overview of the programme statements indicators linked to strengthening the CEAS.

---










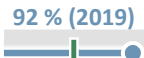





<sup>20</sup> European Parliamentary Research Service Study, [Europe's two trillion euro dividend: mapping the cost of Non-Europe 2019-24](#), Asylum policy, pp. 188-190.

Figure 5.5 – Overview of indicators linked to strengthening the CEAS

According to the Commission data, are the indicators on track to meet their targets?

	Input and output	Result	Impact
yes			
no			
unclear			

### Indicators linked to 'Strengthening the Common European Asylum System'

Indicator	Progress to target	On track?	Type
Convergence of recognition rates by Member States for asylum applicants from the same third country	N/A (no quantified target): baseline: 20,1 pp (2013) target: decrease latest data: 24,4 pp (2018)	 no	impact
Target group persons provided with assistance through projects in the field of reception and asylum systems	100 % (2019)  2020	 yes	output
Capacity of new and improved reception accommodation infrastructure	59 % (2019)  2020	 no	output
Persons trained in asylum-related topics	100 % (2019)  2020	 yes	output
Percentage of persons trained in asylum-related topics	100 % (2019)  2020	 yes	output
Country-of-origin information products and fact-finding missions	92 % (2019)  2020	 yes	output
Projects to develop, monitor and evaluate asylum policies in Member States	58 % (2019)  2020	 no	output
Persons resettled	62 % (2019)  2012 2020	 unclear	result

Source: ECA, based on programme statements for the 2021 draft budget.

**Even with the AMIF contribution, the absence of a political consensus means that the Common European Asylum System has not been fully realised**

**5.23.** The AMPR<sup>21</sup> and the programme statements<sup>22</sup> show a positive picture of what AMIF has achieved, as four indicators are on track, and six of the eight indicators relate to outputs. The fund has provided reception and asylum support for over 2 million people, and increased or improved 30 026 accommodation places. It has supported the safe and legal resettlement of 62 651 refugees from outside the EU, and increased the amounts available for this effort. The fund is also helping Member States to develop, monitor and evaluate their asylum policies, and has funded training for 52 709 persons on asylum related topics. However:

- Despite reported progress on the indicators for persons provided with support for reception and asylum and the increase in accommodation capacity (number of places), there is no information showing the extent to which the reported values address the needs (see paragraph 5.17);
- Two 2020 targets have not been adjusted even though they were achieved early (see paragraph 5.15). 1 232 954 individuals were provided with reception and asylum support in 2017, well above the milestone of 643 350 for that year, but the 2020 target (1 286 700) has not been adjusted. Similarly, 21 752 people had received training in asylum-related topics by 2017, well above the 12 603 milestone for that year. The figure rose to 52 709 by the end of 2019, but the 2020 target (25 205) remains unchanged.
- The indicator showing a high level of country-of-origin information and fact-finding missions relates mostly to one Member State<sup>23</sup>.

---

<sup>21</sup> 2019 AMPR, Annex 1 *programme performance overview* AMIF, p. 154.

<sup>22</sup> Draft general budget of the EU for the financial year 2021, Working document part I programme statements of operational expenditure, COM(2020) 300 – June 2020, pp. 459, 463-465.

<sup>23</sup> Draft general budget of the EU for the financial year 2021, Working document part I programme statements of operational expenditure, COM(2020) 300 – June 2020, p. 464.

### **AMIF has boosted resettlements, but they remain below target**

**5.24.** Resettlement is a safe and legal pathway for refugees to enter the EU. In total, 62 651 refugees were resettled with the support of the fund between 2015 and 2019. This represents 62 % of the cumulative resettlement target of 101 116<sup>24</sup>. AMIF funding for this activity was 1 billion euros or 13 % of the AMIF budget. This amount was increased to 1,07 billion euros in 2020 to reflect Member States' pledges to resettle refugees in the EU by 2023. However, achieving this target will depend on the evolving situation and the impact of COVID-19 restrictions.

### **Significant disparities in Member States' recognition rates for asylum applicants from Afghanistan**

**5.25.** To ensure that all asylum applicants are treated equally, so as not to encourage secondary movements to other Member States, one general indicator measures the convergence of different Member States' recognition rates (the percentage of asylum decisions granting Geneva Convention or subsidiary protection status at first instance) for asylum applicants from the same country of origin. It shows whether Member States are treating asylum cases uniformly. Afghan nationals are the second largest group of nationals requesting asylum in the EU. The indicator for Member States' recognition rates is expressed as a standard deviation with reference to the average recognition rate, and the higher this standard deviation, the greater the divergence in Member States' acceptance of asylum applications. The different Member States' recognition rates for Afghans vary from 6 % to 98 %, but there is no obvious reason for this divergence in the nature of the underlying cases<sup>25</sup>.

### **AMIF has increased the capacity of Member States to process asylum applications, but backlogs persist**

**5.26.** The pressure on national migration systems remains high<sup>26</sup>. In 2019, some 721 000 asylum applications were lodged, including 657 000 first-time applications, an increase of 11 % over 2018. At the end of 2019, according to Eurostat data, Member

---

<sup>24</sup> Between 2017 and 2019, the target was increased to 70 977 individuals to reflect an increase in Member States' pledges, and 37 807 individuals were resettled.

<sup>25</sup> European Asylum Support Office (EASO), [Latest asylum trends, 2019 overview, published February 2020](#).

<sup>26</sup> Draft general budget of the EU for the financial year 2021, Working document part I programme statements of operational expenditure, [COM\(2020\) 300](#) – June 2020, pp. 459-465 and [DG Migration and Home Affairs 2019 annual activity report \(AAR\)](#), p. 24.

State authorities were still considering 899 000 applications for international protection, slightly more than at the end of 2018.

**5.27.** In our special report 24/2019 on migration, we observed that the capacity to process asylum applications had increased in Greece (with support from AMIF, EASO and the UNHCR) and Italy (with indirect support from EASO). However, the backlog of cases was still growing in Greece, and Italy had insufficient capacity to process the large number of appeals<sup>27</sup>. We recommended that the Commission and EASO reinforce the management of national asylum systems.

## Integration and legal migration

**5.28.** Approximately 4,6 % of the EU population consists of non-EU nationals who reside legally in the EU for work, education, family or other reasons<sup>28</sup>. Five Member States host around 77 % of the migrant population<sup>29</sup>. Member States have the primary responsibility for integrating migrants, and the EU aims to build a comprehensive immigration policy whereby non-EU legal residents (known as ‘third country nationals’ – TCNs) are treated fairly and in a non-discriminatory manner. The sectoral approach taken by the EU legal framework, which does not cover all TCNs, combined with parallel national schemes and issues related to national integration schemes (such as recognition of non-EU diplomas), means that TCNs may be disadvantaged on the employment market. This can lead to poorer long-term integration outcomes and undermines the EU’s ability to attract high quality workers from outside the EU<sup>30 31</sup>.

**5.29.** *Figure 5.6* provides an overview of the programme statements indicators linked to integration and legal migration.

---

<sup>27</sup> ECA special report 24/2019 ‘Asylum, relocation and return of migrants: Time to step up action to address disparities between objectives and results’, Executive summary VI, paragraphs 102-129, 161-193 and recommendation 5.

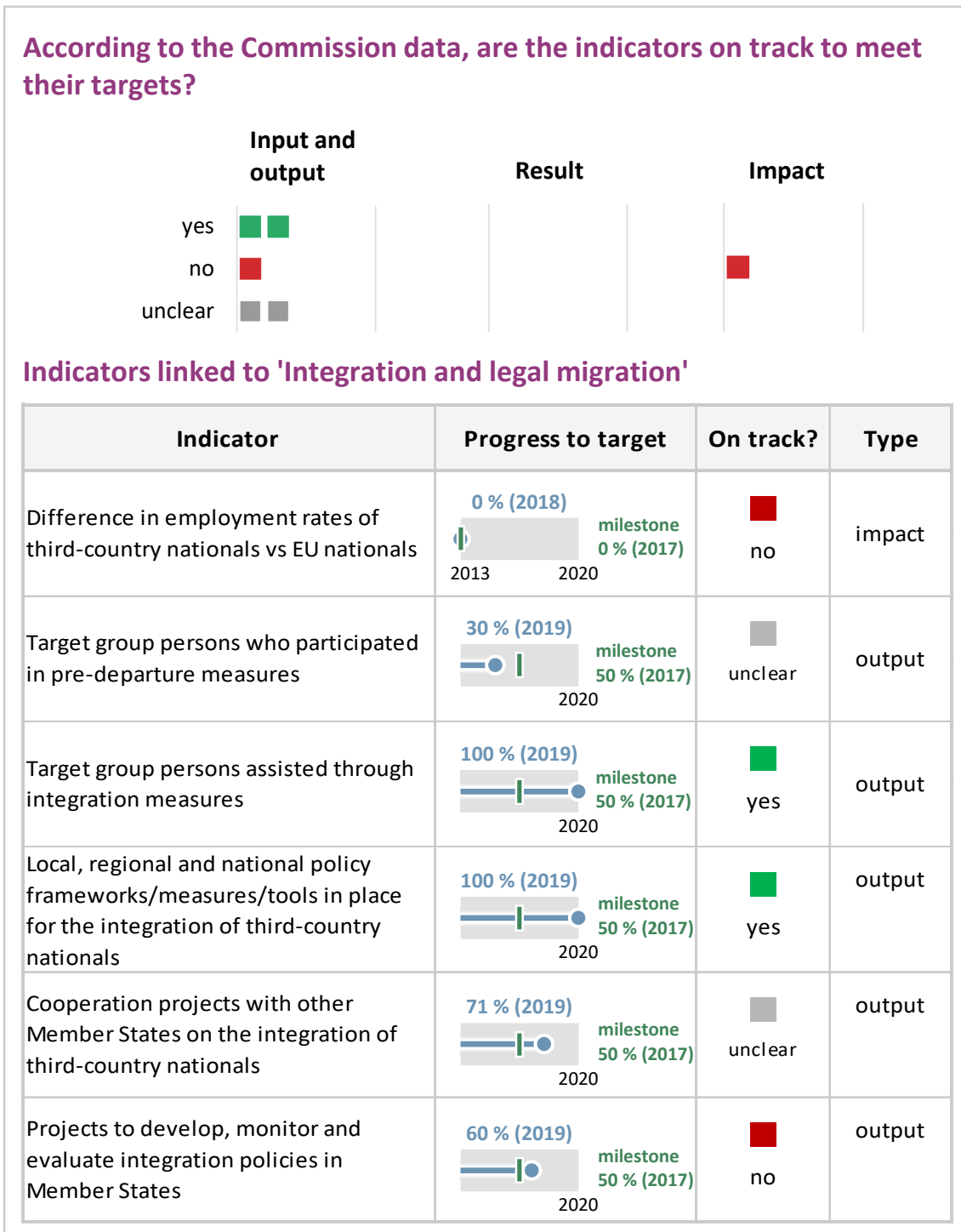
<sup>28</sup> Eurostat, ‘Migrant integration’, 2017 edition, based on 2014b figures, excluding Denmark, Ireland and the Netherlands.

<sup>29</sup> ECA briefing paper 4/2018, the integration of migrants from outside the EU, paragraph 5.

<sup>30</sup> ECA briefing paper 4/2018, the integration of migrants from outside the EU, paragraphs 20 and 40-42.

<sup>31</sup> European Parliamentary Research Service Study, *Europe’s two trillion euro dividend: mapping the cost of Non-Europe 2019-24*, Asylum policy, pp. 179 and 182.

**Figure 5.6 – Overview of indicators linked to integration and legal migration**



Source: ECA, based on Programme statements for the 2021 draft budget.

## AMIF supports integration measures but its long term impact remains to be seen

**5.30.** The AMPR and the programme statements give a positive picture of what AMIF has achieved and the Commission considers ‘the integration strand is a real success’<sup>32</sup>. AMIF has provided almost 6 million people with support from integration measures. However:

- Progress on two indicators is inconclusive (participation in pre-departure measures and cooperation projects between Member States on integration of TCNs); two indicators are not on track (high level indicator on reducing the difference in the employment rates of TCNs and EU nationals, on which AMIF has no direct influence, and projects to develop, monitor and evaluate policies); the two that are achieved are indicators where the targets have already been achieved (see paragraph 5.15).
- Success cannot be considered in terms of outputs only. For example, attendance at language classes and civic courses, like support to improve qualifications and employability, does not necessarily translate into better integration. The longer-term impact of such measures remains to be seen in the *ex post evaluation* which will be published in 2024.
- The general indicator target of a 10 point difference in the employment rates of TCNs and EU nationals is unlikely to be achieved by the end of the spending period, especially if the EU’s economic situation deteriorates as forecast<sup>33</sup>.

---

<sup>32</sup> 2019 AMPR, Annex 1 programme performance overview AMIF, p. 155.

<sup>33</sup> Draft general budget of the EU for the financial year 2021, Working document part I programme statements of operational expenditure, COM(2020) 300 – June 2020, p. 462.

## AMIF has limited influence on attracting highly skilled workers

**5.31.** Member States are responsible for the integration of TCNs, while the EU supports them with funding and incentives<sup>34</sup>. In 2004, the Council adopted 11 common basic principles for immigrant integration policy, which defined integration as ‘a dynamic, long-term, and continuous two-way process of mutual accommodation’ involving both migrants and the host society. In 2016, the Commission adopted an action plan for the integration of migrants, which included a number of suggestions for Member States. The Member States’ response to these suggestions has varied<sup>35</sup>.

**5.32.** The EU legal framework for legal migration is set out in seven directives adopted between 2003 and 2016, covering conditions for the admission and residence of TCNs, equal treatment and mobility within the EU. The directives cover different categories of TCNs: family migrants (family re-unification), long-term residents, students and researchers, highly skilled (Blue Card) workers, seasonal workers and intra-corporate transferees. One directive covers procedural aspects of admission, through the single permit. As Member States have some discretion in how they transpose these directives into national law, some rules applied to migrants are not identical in all the EU Member States<sup>36</sup>.

**5.33.** With a view to achieving the Treaty objective of developing a common EU immigration policy<sup>37</sup>, the Commission’s 2019 fitness check of the legislation identified a number of critical issues and noted that the ‘current legal migration framework had a limited impact vis-à-vis the overall migration challenges that Europe is facing’<sup>38</sup>.

---

<sup>34</sup> TFEU Article 79.4.

<sup>35</sup> ECA briefing paper 4/2018, The integration of migrants from outside the EU, paragraphs 35-37 and 40-42.

<sup>36</sup> ECA briefing paper 4/2018, The integration of migrants from outside the EU, executive summary point III and paragraph 20 endnotes 21 and 22.

<sup>37</sup> TFEU Article 79.

<sup>38</sup> See Commission Staff Working Document: Executive summary of the fitness check on EU legislation on legal migration, [SWD\(2019\) 1056 final](#), section 3 follow up.



**5.34.** The AMPR and programme statements do not report on measures aiming to attract highly-skilled workers to the EU through legal migration schemes and the indicators are not suitable for reporting on such measures<sup>39</sup>. Issues may also arise because of disagreement between the European Parliament and Council as co-legislators. For example, negotiations on the proposed reform to upgrade the visa information system and make the Blue Card scheme more attractive stalled in 2019 because the co-legislators were unable to agree on a number of key points<sup>40</sup>.

### Return policies and irregular migration

**5.35.** Both irregular migrants and non-EU nationals whose asylum applications have been rejected, or who are no longer entitled to remain in the EU, must be returned safely to their countries of origin or transit, through a system of voluntary assisted returns or forced returns (expulsions). Voluntary returns are preferable because they are less damaging to relations with non-EU countries and are more cost-effective than forced returns<sup>41</sup>.

**5.36.** *Figure 5.7* provides an overview of the programme statements indicators linked to the return of irregular migrants.

---

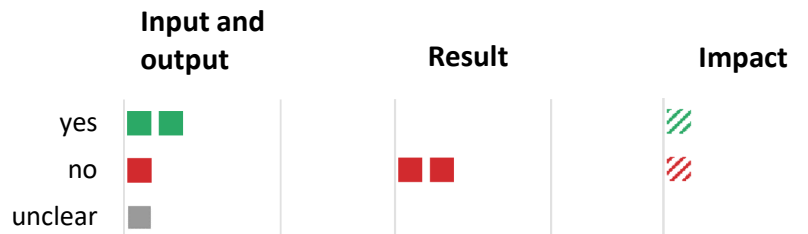
<sup>39</sup> Commission Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the conditions of entry and residence of third-country nationals for the purposes of highly skilled employment, [COM\(2016\) 378 final](#), Explanatory memorandum 1. Reasons for and objectives of proposal, and recitals 2-6.

<sup>40</sup> [DG Migration and Home Affairs 2019 annual activity report](#) (AAR), pp. 8 and 27.















<sup>41</sup> [2019 AMPR](#), Annex 1 programme performance overview AMIF, p. 156.

**Figure 5.7 – Overview of indicators linked to the return of irregular migrants**

**According to the Commission data, are the indicators on track to meet their targets?**



**Indicators linked to 'Return policies and irregular migration'**

Indicator	Progress to target	On track?	Type
Ratio of irregular migrants returned to return decisions issued	<b>N/A (no quantified target):</b> baseline: 39,2 % (2013) target: increase latest data: 37,8 % (2019)	 no	impact
Ratio voluntary/forced return	<b>N/A (no quantified target):</b> baseline: 45,5 % (2013) target: increase latest data: 109,2 % (2018)	 yes	impact
Persons trained on return-related topics	<b>88 % (2019)</b>  2020	 yes	output
Returnees who received pre or post return reintegration assistance	<b>57 % (2019)</b>  2020	 no	output
Voluntary returnees	<b>50 % (2019)</b>  2020	 no	result
Removed returnees	<b>39 % (2019)</b>  2020	 no	result
Monitored removal operations	<b>100 % (2019)</b>  2020	 yes	output
Projects to develop, monitor and evaluate return policies in Member States	<b>66 % (2019)</b>  2020	 unclear	output

Source: ECA, based on programme statements for the 2021 draft budget.

## Unsatisfactory return rates persist

**5.37.** The need for fair, sustainable and effective return strategies has been an objective of growing importance to most Member States. AMIF has helped Member States to develop, monitor and evaluate return policies, trained over 25 000 persons in return related topics, and provided 115 000 returnees with re-integration support before and after their return.

**5.38.** Nonetheless, in the EU as a whole, the return rate for individuals who no longer have the right to stay on EU territory is unsatisfactory (31,5 %), though it is slightly better for voluntary returns than for forced returns<sup>42</sup>.

**5.39.** AMIF co-finances both forced and voluntary returnees and monitored removal operations<sup>43</sup>. The targets for returnee numbers are not being met, but the 2017 milestone for monitored removal operations was already met five times over that year, and the 2020 target is not ambitious and has not been adjusted to take account of this (see paragraph 5.14). Moreover, the difference between monitored operations and returnees is not clear-cut and the information in the indicators may be unreliable. Ultimately, the effective implementation of return strategies depends to a large extent on the political context.

---

<sup>42</sup> 2019 AMPR, Annex 1 programme performance overview AMIF, p. 156.

<sup>43</sup> Article 8(6) of [Council Directive 2008/115/EC \(Return Directive\)](#) obliges Member States to implement a forced return monitoring system, whereby forced removals involve organisations/bodies different and independent from the authorities enforcing return. The [European Border and Coast Guard Agency \(Frontex\)](#) supports return monitoring by deploying experts ('return monitors') who carry out independent monitoring of return operations to ensure compliance with fundamental rights.

**5.40.** The Commission's performance reports have identified some causes of low return rates<sup>44</sup>. In particular, key challenges can only be addressed if Member States use all available instruments to their full potential<sup>45</sup>, and countries of origin or transit have to be willing to accept returnees. However, Member States' migration systems are still under considerable stress (see paragraphs [5.26-5.27](#)), and a recast of the returns directive is still awaiting adoption by the co-legislators.

**5.41.** In our special report 24/2019 on migration, we observed that the return system was problematic in Greece and Italy, with far fewer migrants returned than return decisions. Returns are problematic in the EU as a whole. We identified some reasons that weakened the performance of return operations: the time taken to process asylum cases, insufficient detention centre capacity, unsatisfactory cooperation with countries of origin, or migrants simply absconding once the decision is taken to return them<sup>46</sup>. We also identified two parallel EU funded schemes supporting the same type of return activities<sup>47</sup>.

### Solidarity and shared responsibility between Member States

**5.42.** [Figure 5.8](#) provides an overview of the programme statements indicators linked to solidarity and responsibility-sharing among Member States. While the transfer between Member States of individuals relocated or under international protection appears to be on track with reference to the (lower) revised 2020 targets, the same cannot be said of cooperation projects for enhancing solidarity and responsibility sharing.

---

<sup>44</sup> 2019 AMPR, Annex 1 programme performance overview AMIF, p. 156; Draft general budget of the EU for the financial year 2021, Working document part I programme statements of operational expenditure, COM(2020) 300 – June 2020, p. 460; and the [DG Migration and Home Affairs 2019 annual activity report](#) (AAR), pp. 17-19.



<sup>45</sup> [DG Migration and Home Affairs 2019 annual activity report](#) (AAR), p. 17.

<sup>46</sup> [ECA special report 24/2019](#) 'Asylum, relocation and return of migrants: Time to step up action to address disparities between objectives and results', Executive summary VII and paragraphs 130-145.

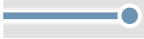



<sup>47</sup> [ECA special report 24/2019](#) 'Asylum, relocation and return of migrants: Time to step up action to address disparities between objectives and results', paragraphs 94-101, 160.

**Figure 5.8 – Overview of indicators linked to solidarity and responsibility sharing**

**According to the Commission data, are the indicators on track to meet their targets?**

	Input and output	Result	Impact
yes			
no			
unclear			

**Indicators linked to 'Solidarity and shared responsibility between Member States'**

Indicator	Progress to target	On track?	Type
Applicants and beneficiaries of international protection transferred from one Member State to another	<p>88 % (2019)</p>  <p>2020</p>	 yes	result
Cooperation projects with other Member States on enhancing solidarity and responsibility sharing	<p>14 % (2019)</p>  <p>milestone 43 % (2017)</p> <p>2020</p>	 no	output

Source: ECA, based on programme statements for the 2021 draft budget.

## AMIF boosted solidarity but was less successful in terms of sharing responsibility between Member States

**5.43.** During the 2015 migration crisis, AMIF emergency assistance (EMAS) financial resources were mobilised, together with those of EU agencies (EASO, Frontex and Europol), and Member States<sup>48 49</sup>, to help the frontline Member States to cope with a high influx of asylum seekers in a short time period (**Box 5.1**). The emergency relocation schemes were a first in European migration policy<sup>50</sup>. Their purpose was to transfer asylum applicants from frontline countries to less pressured Member States<sup>51</sup>. However, there is evidence that some Member States took on an insufficient share of responsibility under these AMIF-supported initiatives, which undermined their effectiveness:

- The hotspots were dependent on the deployment of experts from other Member States. The deployment of these national experts was often for a short duration, which raised questions of efficiency<sup>52</sup>.
- Of the 160 000 persons expected to be relocated under the two Council decisions of September 2015<sup>53</sup>, just over 34 700 were relocated in Member States and Schengen associated countries. This represents 96 % of applications, taking into account the eligibility criteria provided for in the Council decisions<sup>54</sup>.

---

<sup>48</sup> [ECA special report 24/2019](#) 'Asylum, relocation and return of migrants: Time to step up action to address disparities between objectives and results', paragraphs 28-30.

<sup>49</sup> Commission staff working document: Interim evaluation of the Asylum, Migration and Integration Fund, [SWD\(2018\) 339 final](#), section 3.2.2, summary p. 42, sections 5.1.4 and 5.1.5 found that EMAS had a role in strengthening solidarity and responsibility sharing.

<sup>50</sup> [ECA special report 24/2019](#) 'Asylum, relocation and return of migrants: Time to step up action to address disparities between objectives and results', paragraphs 35-53.

<sup>51</sup> Under the Dublin III Regulation ([Regulation \(EU\) No 604/2013](#) of the European Parliament and of the Council of 26 June 2013 establishing the criteria and mechanisms for determining the Member State responsible for examining an application for international protection lodged in one of the Member States by a third-country national or a stateless person), the first Member State in which an asylum claim is lodged is responsible for processing that claim.

<sup>52</sup> [ECA special report 6/2017](#), 'EU response to the refugee crisis: the 'hotspot' approach', executive summary V and paragraph 49.

<sup>53</sup> [Council decision \(EU\) 2015/1523](#) of 14 September 2015 and [Council decision \(EU\) 2015/1601](#) of 22 September 2015.

<sup>54</sup> [2019 AMPR](#), Annex 1 programme performance overview AMIF, p. 156.

- o We observed in special report 24/2019 on migration that the numbers relocated were not sufficient to alleviate effectively the pressure on the Greek and Italian asylum systems, and that a very low share of potentially eligible migrants were relocated – mainly owing to the low number of candidates registered<sup>55</sup>.
- o The temporary relocation schemes expired in September 2017. As of June 2020, no consensus had been reached on the Commission’s proposal for a reform of the Dublin system, which provides for the allocation of applicants among the Member States. However, in the absence of a formal relocation mechanism at EU level, the Commission coordinates a system of voluntary ad hoc relocations, mainly for migrants disembarking in Italy, Malta and Greece<sup>56</sup>.

**5.44.** The interim evaluation findings suggested that, even with the AMIF funding available, there was limited progress as regards the transfer of beneficiaries of international protection from one Member State to another through any of its instruments<sup>57</sup>. Moreover, limited progress was noted when it came to cooperation projects with other Member States on the integration of TCNs, cooperation with non-EU countries for pre- and post-return assistance, and solidarity and responsibility sharing in areas other than the emergency schemes referred to above<sup>58</sup>.

---

<sup>55</sup> ECA special report 24/2019 ‘Asylum, relocation and return of migrants: Time to step up action to address disparities between objectives and results’, paragraphs 35-47.

<sup>56</sup> ECA special report 24/2019 ‘Asylum, relocation and return of migrants: Time to step up action to address disparities between objectives and results’, paragraphs 48-53.

<sup>57</sup> Interim evaluation of the AMIF, final report, points 5.1.4.1, p. 86, and 5.1.4.2, p. 88.

<sup>58</sup> Interim evaluation of the AMIF, final report, conclusion 4 bullet point 4, p. 206.

## Conclusions

**5.45.** AMIF provides substantial support to help Member States face the costs and challenges of asylum and migration action, such as relocation and resettlement, migrant support schemes and funding to build and upgrade accommodation. This support is provided in a sensitive political context characterised by diverse Member State positions.

**5.46.** The information on performance indicators which the Commission provides in the AMPR and programme statements addresses performance mainly at the level of Member State activities. However, the reliability and consistency of the underlying indicator information provided by Member States is not yet checked sufficiently (see paragraph [5.16](#)). Information on EMAS funding (30 % of AMIF) is not covered by the performance indicators (see paragraph [5.18](#)).

**5.47.** While the 2019 AMPR provides contextual information, it does not indicate whether the AMIF is on track to meet its general objective. The information available points to the relevance of spending and its EU added-value, but the indicators defined do not provide evidence about economy and efficiency (see paragraph [5.19](#)). The fact that two thirds of the indicators measure activities and output may lead to an overly positive view of achievements. Ten of the 24 indicators are on track to meet their 2020 targets, and the progress for another four is inconclusive ([Figure 5.4](#)). AMIF performs best at strengthening the CEAS, and is weakest in returns of illegal migrants.

**5.48.** Although over 2 million individuals have been helped by AMIF support for asylum (see paragraph [5.23](#)), the CEAS remains to be achieved. For example, there are significant disparities between Member States in the acceptance of asylum applicants from the same country (see paragraph [5.25](#)), and persistent backlogs in processing applications even with AMIF help to increase Member State capacity (see paragraphs [5.26-5.27](#)). AMIF has boosted the resettlement of refugees, but remains below target (see paragraph [5.24](#)).



**5.49.** While the output indicators for activities relating to integration and legal migration show AMIF achievements in a positive light, with over 6 million individuals benefitting from integration measures, their long-term impact cannot yet be known because significant differences remain between in migrants' employment prospects and those of EU nationals (see paragraph [5.30](#)). AMIF has limited influence on the aim of encouraging the legal migration of highly-skilled workers to the EU (see paragraphs [5.31-5.34](#)).

**5.50.** AMIF provides Member States with help for the returns of individuals who no longer have the right to stay in the EU, but the return rates are generally unsatisfactory (see paragraphs [5.37-5.41](#)). Only 31,5 % of decisions issued in the EU to return irregular migrants to their country of origin have actually resulted in a return (see paragraph [5.38](#)). AMIF-funded voluntary returns have reached 50 % of target, and forced removals 39 % ([Figure 5.7](#)). Past mandatory relocation schemes aimed at sharing responsibility between Member States were also below target (see paragraph [5.43](#)).

# Annexes

## Annex 5.1 Objectives of Programme AMIF

GENERAL OBJECTIVES			
OBJECTIVE NUMBER	FULL TEXT OF THE OBJECTIVE	SHORT VERSION USED IN THIS CHAPTER	PART OF OUR SAMPLE?
GO1	The general objective of the Fund shall be to contribute to the efficient management of migration flows and to the implementation, strengthening and development of the common policy on asylum, subsidiary protection and temporary protection and the common immigration policy, while fully respecting the rights and principles enshrined in the Charter of Fundamental Rights of the European Union.	N/A	YES
SPECIFIC OBJECTIVES			
OBJECTIVE NUMBER	FULL TEXT OF THE OBJECTIVE	SHORT VERSION USED IN THIS CHAPTER	PART OF OUR SAMPLE?
SO1	to strengthen and develop all aspects of the Common European Asylum System, including its external dimension.	Common European Asylum System	YES
SO2	to support legal migration to the Member States in accordance with their economic and social needs, such as labour market needs, while safeguarding the integrity of the immigration systems of Member States, and to promote the effective integration of third-country nationals.	Integration and legal migration	YES
SO3	to enhance fair and effective return strategies in the Member States which contribute to combating illegal immigration, with an emphasis on sustainability of return and effective readmission in the countries of origin and transit.	Return policies and irregular migration	YES
SO4	to enhance solidarity and responsibility sharing between the Member States, in particular towards those most affected by migration and asylum flows, including through practical cooperation.	Solidarity and responsibility sharing between Member States	YES

Source: ECA, based on the programme statements for the 2021 draft budget.

## Chapter 6

### Global Europe

# Contents

	Paragraph
<b>Introduction</b>	6.1.-6.2.
<b>Scope and approach</b>	6.3.-6.6.
<b>The Development Cooperation Instrument</b>	6.7.-6.27.
<b>The purpose and functioning of the Development Cooperation Instrument</b>	6.7.-6.8.
<b>Published performance information</b>	6.9.-6.10.
<b>Assessment of the DCI's performance, based on published performance information</b>	6.11.-6.27.
General comments	6.11.-6.20.
DCI indicators mainly provide contextual information	6.12.
Less conventional tools are contributing towards the DCI's objectives	6.13.
Inconsistencies between development actors may undermine progress	6.14.-6.16.
Other indicators are available but are not used to measure the DCI's performance	6.17.
Knowledge gaps	6.18.-6.20.
Fostering sustainable development	6.21.-6.24.
The indicators reveal a positive trend, although data coverage has decreased	6.22.
Success reported in mainstreaming climate change and promoting green economy, but insufficient assessment in other areas	6.23.-6.24.
Consolidating and supporting democracy	6.25.-6.27.
Results for democracy and human rights remain fragmented	6.26.
Mainstreaming of human rights remains a work in progress	6.27.
<b>The European Neighbourhood Instrument</b>	6.28.-6.56.
<b>The purpose and functioning of the European Neighbourhood Instrument</b>	6.28.-6.30.
<b>Published performance information</b>	6.31.-6.32.

<b>Assessment of the ENI's performance, based on published performance information</b>	<b>6.33.-6.56.</b>
General comments	6.33.-6.44.
Performance is unclear for the specific objectives selected, meaning a robust assessment of the ENI's overall performance is not possible	6.34.
EU relationships generally strengthened but design issues persist	6.35.-6.39.
DG NEAR acknowledges the need to improve ENI monitoring	6.40.
Knowledge gaps	6.41.-6.44.
Establishing deep and sustainable democracy	6.45.-6.49.
No clear progress in establishing deep and sustainable democracy	6.46.-6.49.
Supporting sustainable development	6.50.-6.53.
A positive trend in human and business development	6.51.-6.53.
Promoting good neighbourly relations	6.54.-6.56.
Some progress on political stability, notably in security sector reform	6.55.-6.56.
<b>Results of performance testing of transactions</b>	<b>6.57.</b>
<b>Conclusions</b>	<b>6.58.-6.62.</b>
<b>Annexes</b>	
<b>Annex 6.1 Objectives of the DCI and the ENI</b>	

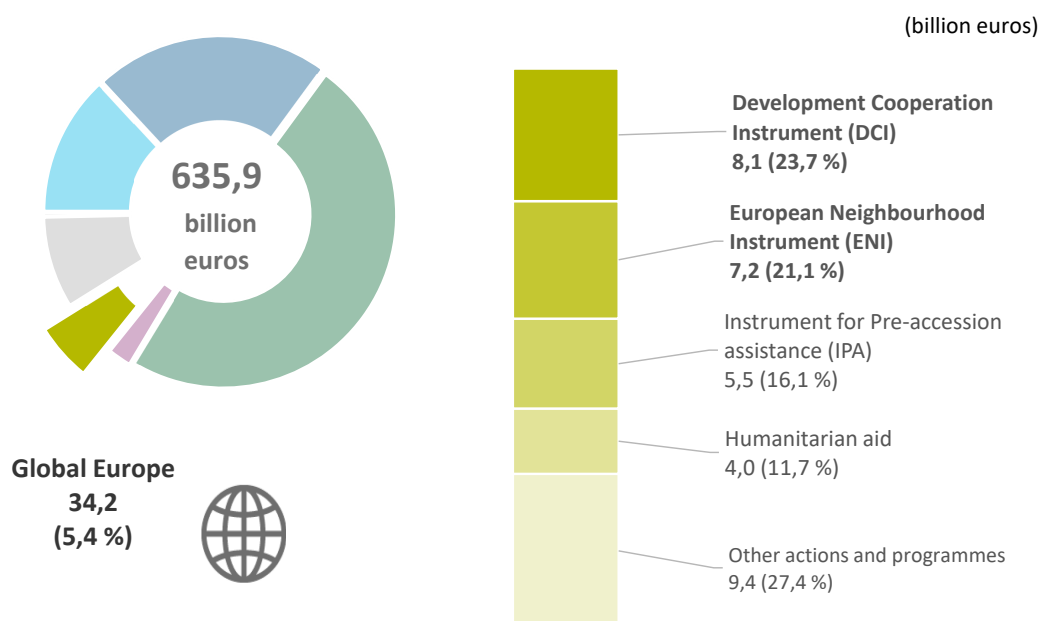
# Introduction

**6.1.** *Multiannual financial framework* (MFF) heading 4 ‘Global Europe’ covers expenditure on all *external action* funded by the EU general budget. These policies:

- promote EU values abroad such as democracy, rule of law and respect for human rights and fundamental freedoms;
- address major global challenges such as climate change and biodiversity loss;
- increase the *impact* of EU development cooperation, with the aim of helping to eradicate poverty, support *sustainable development* and promote prosperity;
- foster stability and security in candidate and neighbourhood countries;
- enhance European solidarity after natural or man-made disasters;
- improve crisis prevention and conflict resolution, preserve peace, strengthen international security and promote international cooperation;
- promote EU and mutual interests abroad.

**6.2.** The total planned expenditure under this heading for the 2014-2020 period is 66 billion euros, of which 34,2 billion euros had been paid out by the end of 2019 (see [Figure 6.1](#)).

**Figure 6.1 – Global Europe: 2014-2019 payments on current MFF commitments, as a share of all headings and breakdown**



Source: ECA, based on Commission data.

## Scope and approach

**6.3.** The **Appendix** describes the methodology used to prepare this chapter.

**6.4.** Of the 15 *programmes*/instruments under ‘Global Europe’, we selected two: the Development Cooperation Instrument (DCI) and the European Neighbourhood Instrument (ENI), together representing 44,8 % of 2014-2019 payments for this MFF heading.

**6.5.** [Annex 6.1](#) lists all the objectives of the DCI and the ENI and highlights those that we selected for our analysis. Overall, we covered all objectives for the DCI and selected four of the ENI’s seven objectives, together with all corresponding indicators.

**6.6.** This chapter is largely based on a review of Commission information, supplemented by findings from our own audit and review reports, where available. We refer to our sources throughout the text.



# The Development Cooperation Instrument

## The purpose and functioning of the Development Cooperation Instrument

**6.7.** The Development Cooperation Instrument (DCI) is the main source of EU funding for developing countries, managed by the Commission's Directorate-General for International Cooperation and Development (DG DEVCO) (see the overview of the DCI and its background in [Figure 6.2](#)). Its general objective is to eradicate poverty, broken down into two specific objectives: 'Fostering sustainable development' and 'Consolidating and supporting democracy'<sup>1</sup>. To achieve its objectives, the DCI provides funding for:

- (1) geographical programmes covering a number of developing countries (approximately 60 % of the DCI budget);
- (2) thematic programmes (approximately 36 %);
- (3) the Pan-African programme which supports the Africa-EU Strategic Partnership (approximately 4 %).

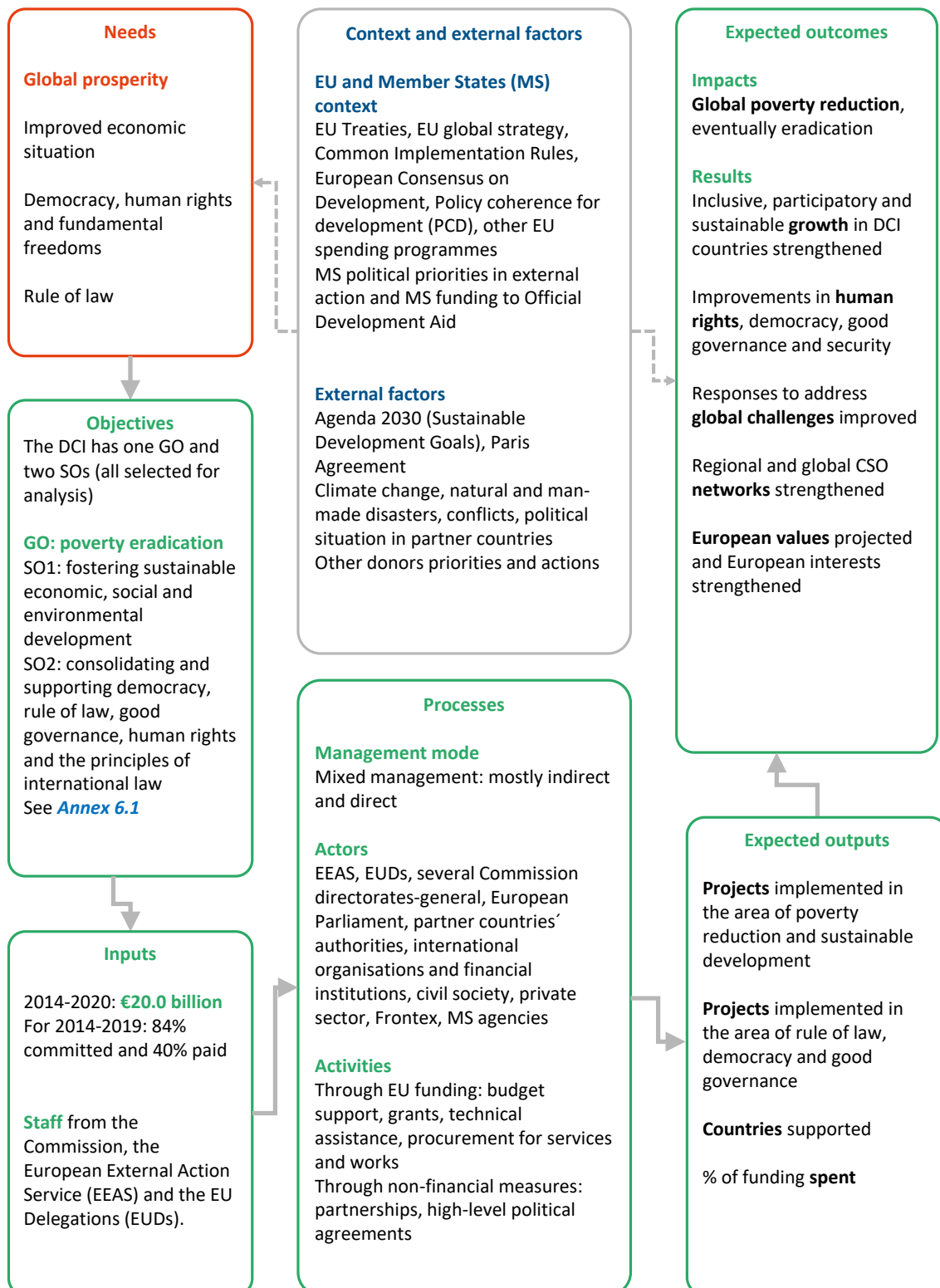
**6.8.** The DCI's budget for the 2014-2020 MFF is approximately 20 billion euros. Overall, by the end of 2019, the Commission had committed 84 % of this allocation and spent 40 %<sup>2</sup>.

---

<sup>1</sup> The full wording of the objectives can be found in [Annex 6.1](#).

<sup>2</sup> See *programme performance overview* in [2019 AMPR](#), Annex I, p. 187.

Figure 6.2 – Overview of the DCI



Source: ECA, based on the DCI Regulation 233/2014, Commission programme statements, AMPR, DCI programme performance overview, AARs and the evaluation of the DCI (SWD (2017) 600 final)).

## Published performance information

**6.9.** In addition to its usual high-level *performance* reports (the *Annual Management and Performance Report* (AMPR), *programme statements* and *annual activity reports* (AARs))<sup>3</sup>, the Commission publishes an annual report on the implementation of the *EU's instruments for financing external action*. This reports on the EU's delivery on global commitments, based on, among other things, the EU international cooperation and development results framework (EURF) indicators<sup>4</sup>.

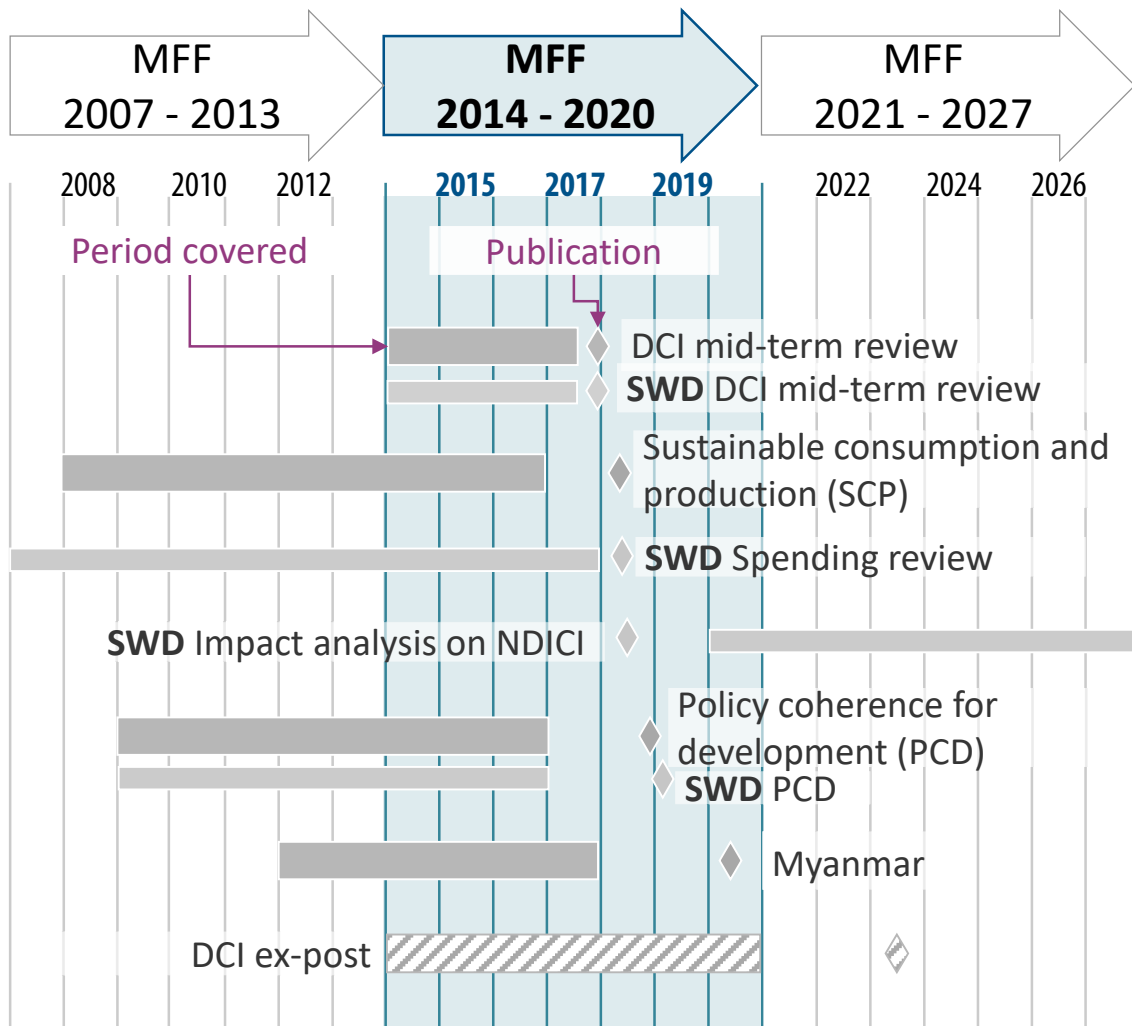
**6.10.** The Commission has provided performance information on the DCI in a number of evaluations. [Figure 6.3](#) presents a selection of the evaluations we reviewed.

---

<sup>3</sup> See paragraph 1.3.

<sup>4</sup> For the purposes of this chapter and this report as a whole, we refer to *input*, *output*, *results* and *impact* indicators. The term “results” corresponds to “outcome” in the Official Development Assistance glossary ([OECD DAC Glossary of Key Terms in Evaluation and Results Based Management](#)).

**Figure 6.3 – Timing of the main DCI evaluations and periods covered**



Source: ECA, based on the evaluations and staff working documents (SWDs) published by the Commission.

## Assessment of the DCI's performance, based on published performance information

### General comments





**6.11.** *Figure 6.4* provides an overview of all DCI indicators included in the programme statement. *Figure 6.5* presents the indicators related to the general objective. More detailed overviews per specific objective are presented in *Figure 6.6* and *Figure 6.7*. In paragraph 1.24 we discuss some general limitations<sup>5</sup> applying when interpreting these indicators. In particular, our assessment whether a given indicator is 'on track' relates to the likelihood of this indicator meeting its target. This assessment does not take into account whether, and how closely, a given indicator is linked to the DCI actions and objectives, nor whether the target set for this indicator is adequately ambitious. Therefore, it is only a first step in analysing the DCI performance. We have also not audited the reliability of the underlying data, but we discuss it in chapter 1 (see paragraphs 1.13-1.23).







---

<sup>5</sup> See also paragraphs 3.21-3.35 of the 2018 annual report.

Figure 6.4 – Overview of all DCI indicators in the programme statements

**According to the Commission data, are the DCI indicators on track to meet their targets ?**

	Input and output	Programme outcome indicators	
		Result	Impact
General objective			
Specific objective 1 'Fostering sustainable development'			
Specific objective 2 'Consolidating and supporting democracy'			

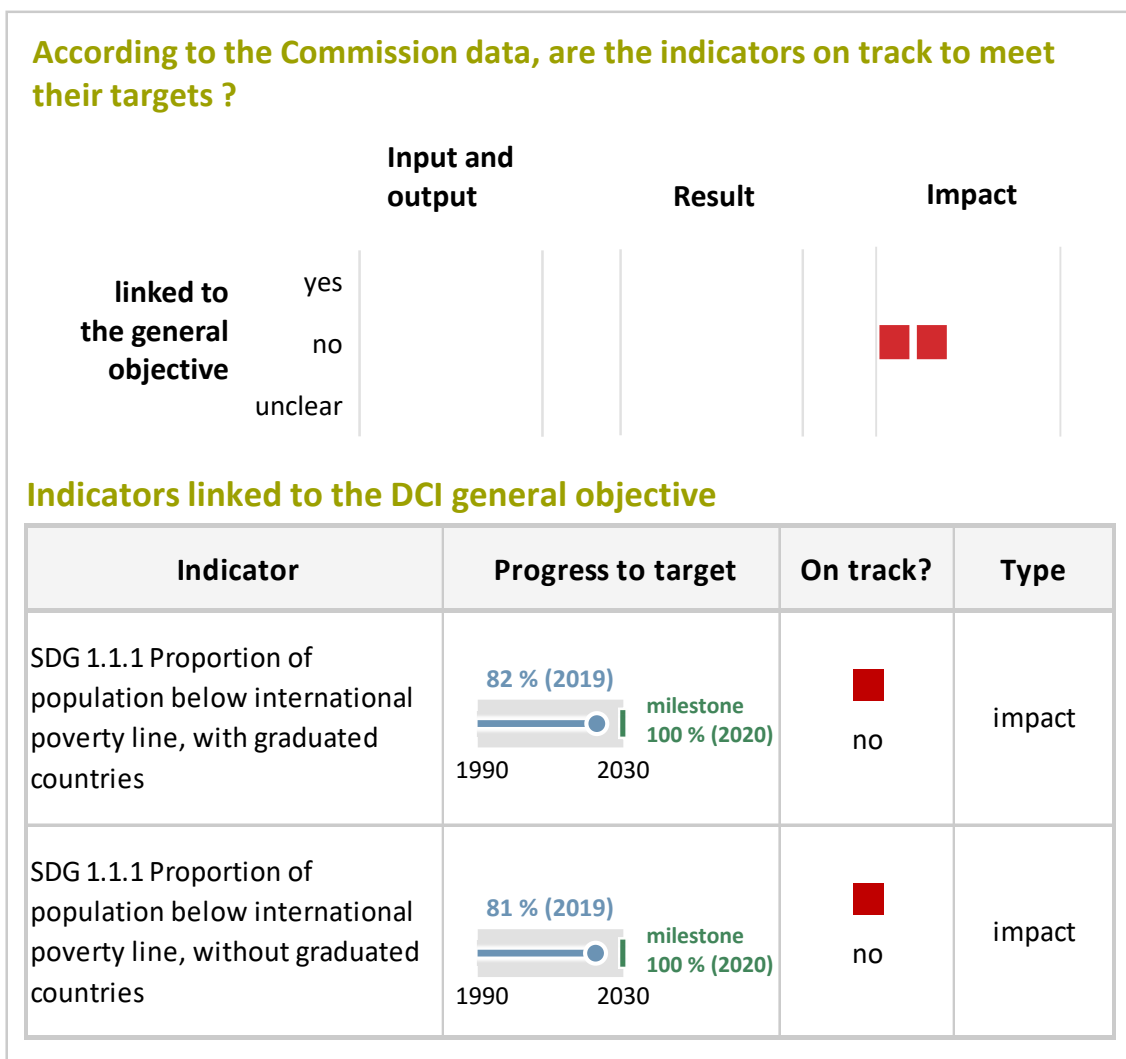
	Indicators on track to meet their targets?		
	ON TRACK	NOT ON TRACK	UNCLEAR
Indicators with quantified targets			
Indicators without quantified targets			

*Note:* Our analysis is based on Commission data that we have not audited.

The above illustration of whether indicators are 'on track' relates to our assessment of the probability that a given indicator will reach its target. However, an indicator may not be affected by the actions implemented under the programme, or it may not be relevant to the programme's objective – and its target may not reflect adequate ambition. Therefore, the fact that an indicator is 'on track' to meet its target does not necessarily mean that the programme itself is on track to meet its objectives. See also the **Appendix** (point 18).

*Source:* ECA, based on the programme statements for the 2021 draft budget.

### Figure 6.5 – Overview of indicators linked to general objective 1



Source: ECA, based on the programme statements for the 2021 draft budget.

## DCI indicators mainly provide contextual information

**6.12.** The DCI's indicators are mainly impact indicators, which, by their nature, give an idea of the context in which the DCI operates, rather than an assessment of its performance. The DCI has no *result indicators* and only one *output* indicator. Although the reports we reviewed provided qualitative information, their lack of specific quantitative performance data made it difficult to understand clearly how the different aspects of the programme had performed. An example of this concerns the DCI's general objective of eradicating poverty and its corresponding indicator "proportion of population living below the international poverty line". Progress is not attributable to EU action alone.

### Less conventional tools are contributing towards the DCI's objectives

**6.13.** Other forms of financing have emerged that contribute towards DCI objectives, such as 'blending' (combining EU *grants* with public and private investment) through *regional investment facilities* in Latin America, and *EU trust funds* (EUTFs) in Africa. Our audit reports noted that the projects in our sample funded by EUTFs had started to produce outputs, and that the funds had helped to speed up implementation. Despite several issues noted in our reports (limited pooling of funding; design, management and monitoring weaknesses), EUTFs have also proven a flexible tool for emergency situations<sup>6</sup>. One of the principles of EUTFs is to leverage additional funding in order to increase EU support and thus achieve greater *results*. To date, however, the EUTFs have attracted few additional donors<sup>7</sup> and funds<sup>8</sup>.

### Inconsistencies between development actors may undermine progress

**6.14.** The DCI mid-term evaluation noted inconsistencies between different development actors. Several EU Member States are represented in the partner countries where the DCI is implemented. The DCI favours a joint strategy between the partner country and the EU in order to maximise coherence and complementarity between them. However, despite some progress, there is still resistance to *joint programming*. In some cases, partner countries' governments fear that joint programming may result in a decrease in overall aid levels. Some Member States consider that *joint programming* could reduce their visibility and dilute their national interests and priorities. Such resistance creates the risk of overlapping activities<sup>9</sup>.

**6.15.** The EU and its Member States are committed to the practice of '*policy coherence for development*' (PCD), minimising inconsistencies and building synergies between different EU policies in order to make development cooperation more effective. However, an external evaluation of EU PCD concluded that the EU's internal

---

<sup>6</sup> See [special report 11/2017](#) - The *Békou EU trust fund* for the Central African Republic, paragraphs 62-65; and [special report 32/2018](#) - *European Union Emergency Trust Fund for Africa*: Flexible but lacking focus, paragraphs 39-44.

<sup>7</sup> See [special report 11/2017](#) - The *Békou EU trust fund* for the Central African Republic, paragraphs 55-61.

<sup>8</sup> See [special report 32/2018](#) - *European Union Emergency Trust Fund for Africa*: Flexible but lacking focus, paragraphs 6-9.

<sup>9</sup> See [External Evaluation of the Development Cooperation Instrument \(2014-mid-2017\)](#), p. 33 and of [SWD\(2017\) 600 final](#), pp. 11 and 19.



policies did not take sufficient account of their potential impact on developing countries. Furthermore, the EU's PCD approach still varied between policy areas<sup>10</sup>.

**6.16.** As noted by our audits, these issues in *joint programming* and PCD resulted in inconsistencies among EU instruments and between the EU and its Member States<sup>11</sup>.

#### **Other indicators are available but are not used to measure the DCI's performance**

**6.17.** Other Commission reports, such as DG DEVCO AARs or the annual reports on the implementation of EU instruments for financing external action, contain indicators that could potentially provide information on the DCI's performance (see paragraph 6.9). So far, DG DEVCO has not used them to report on the DCI's performance. Although the indicators provide values for DG DEVCO as a whole or for all external action instruments together, the information for some of these indicators can be broken down by instrument. This means that they could be used to assess DCI's performance specifically.

#### **Knowledge gaps**

**6.18.** The Commission engages external contractors to evaluate programmes, providing an external assessment of their *effectiveness, efficiency, relevance, coherence* and EU added value. A key deliverable of the evaluation process<sup>12</sup> is a *staff working document* (SWD) presenting the evaluation's results. For two<sup>13</sup> of the four *ex post evaluations* we reviewed, however, there were no SWDs, meaning DG DEVCO judgement on the external evaluators' conclusions was not published. These conclusions are important because the Commission uses them to substantiate subsequent changes to its programmes.

---

<sup>10</sup> See [External Evaluation of the European's Union's Policy Coherence for Development](#), July 2018, pp. viii, ix and 23.

<sup>11</sup> See our audit reports on [Myanmar](#) (paragraphs 44-45), [Honduras](#) (paragraphs 18-20) and [EUTF for Africa](#) (paragraphs 33-38).

<sup>12</sup> See Better Regulation Guidelines, [SWD\(2017\) 350](#), Chapter I.

<sup>13</sup> See [Evaluation of EU international cooperation on Sustainable Consumption and Production](#), 11 April 2018 and [Evaluation of the EU cooperation with Myanmar](#), January 2020.

**6.19.** There are weaknesses in the monitoring of individual projects. Several of our audits noted cases where indicators were lacking for project objectives or where targets had only been defined once funds were committed<sup>14</sup>. In other cases, indicators were not specific<sup>15</sup>, or relevant<sup>16</sup>, or lacked baselines<sup>17</sup> or targets<sup>18</sup>. Sources for collecting data on indicators were not always reliable<sup>19</sup>, or no data was collected<sup>20</sup>. Most recently, our special report on data quality in *budget support* also found that indicators had several shortcomings<sup>21</sup>.

**6.20.** Another knowledge gap arises from the inevitable time lag between funding being allocated and results becoming apparent. As of 1 January 2020, 60 % of DCI's total allocation for the 2014-2020 MFF had not yet been spent (see paragraph 6.8), meaning many results are likely to materialise only after 2020. As for all external actions instruments, the Commission is required to produce a final evaluation report on the 2014 -2020 period as part of the interim review of the next financial period<sup>22</sup>, which will take place after 2022.

## Fostering sustainable development

**6.21.** *Figure 6.6* provides an overview of the programme statement indicators linked to specific objective 1 'Fostering sustainable development'.

---

<sup>14</sup> See our special report on [Honduras](#), paragraph 36.

<sup>15</sup> See our special report on the [EUTF for Africa](#), paragraph 49.

<sup>16</sup> See our special report on [Honduras](#), paragraph 36.

<sup>17</sup> See our special reports on the [EUTF for Africa](#), paragraphs 20 and 51 and on [Honduras](#), paragraph 36.

<sup>18</sup> See our special report on [Honduras](#), paragraph 26.

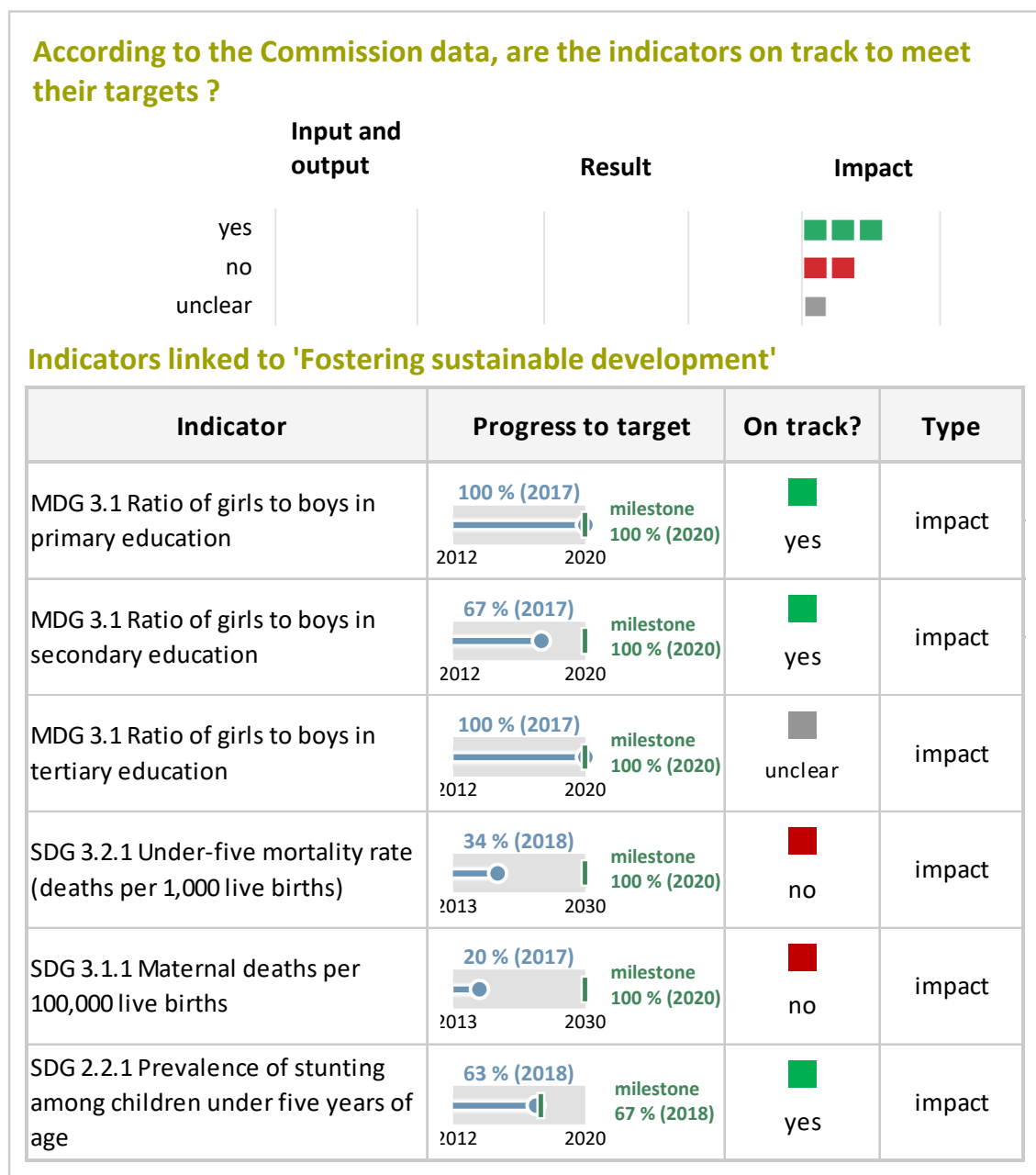
<sup>19</sup> [Idem](#), paragraph 36.

<sup>20</sup> See our special report on [Myanmar](#), paragraphs 46-48.

<sup>21</sup> See our special report on [data quality in budget support](#), paragraphs 26-32.

<sup>22</sup> See Article 17 of [Regulation \(EU\) No 236/2014](#) of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action.

Figure 6.6 – Overview of indicators linked to specific objective 1



Source: ECA, based on the programme statements for the 2021 draft budget.

### The indicators reveal a positive trend, although data coverage has decreased

**6.22.** All indicators show a positive trend, and three of them are on track to reach their targets. However, some indicators initially set for specific objective 1<sup>23</sup> have been discontinued. Consequently, quantitative data is no longer reported in areas such as employment, completion of primary education and CO2 emissions. Furthermore, in

<sup>23</sup> See [programme statements for 2014 draft budget](#), pp. 272 to 274.

the 2019 programme statement, the actual results reported for the remaining four indicators date back to 2018 or even 2017. Nevertheless, they show a positive trend:

- the DCI had exceeded its target for the ratio of girls to boys in education;
- it was broadly on track to achieve its target for reducing the prevalence of stunted growth in children;
- although not entirely on track to achieve its targets for reducing mortality in mothers during childbirth and children under five, there had been steady improvement.

**Success reported in mainstreaming climate change and promoting green economy, but insufficient assessment in other areas**

**6.23.** The Commission reported success in *mainstreaming* climate change in external action, having so far dedicated 21,5 % of its 2014-2019 funding to this purpose<sup>24</sup>. An external evaluation of EU cooperation on sustainable consumption and production (SCP) concluded that its promotion of the green economy had been effective in Asia and the Mediterranean but less so in Africa (see [Box 6.1](#)).

**6.24.** For other areas related to sustainable development, it is difficult to draw conclusions due to a lack of general assessments with strong evidence. For example, in the area of education, we did not find country-specific assessments for all DCI countries. A recent evaluation for Myanmar states that education access and quality has improved, in line with our 2018 assessment<sup>25</sup>. However, our 2016 special report on Honduras found that DCI action had had mixed results in the education sector. Despite a number of positive results, none of the eight 2014 targets set in the country's national plan had been achieved; the results for six of them had even fallen below the baseline<sup>26</sup>.

---

<sup>24</sup> See [2019 AAR annexes](#), pp. 487 and 488.

<sup>25</sup> See our special report on [Myanmar](#), paragraph 53.

<sup>26</sup> See our special report on [Honduras](#), paragraphs 48-50.

**Box 6.1****The DCI supported sustainable consumption and production**

SWITCH to Green is a DCI-funded initiative to promote a green economy capable of generating growth, creating jobs and reducing poverty. Its programmes aim to support the uptake of SCP patterns; increase the capabilities of micro, small and medium-sized enterprises (MSMEs) and business service providers; and increase networking between policymakers and businesses. Started in 2007, the Commission has since committed over 257 million euros to the initiative<sup>27</sup>.

The SCP evaluation<sup>28</sup> assessed, in particular, the three SWITCH regional programmes (SWITCH-Asia, SWITCH Africa Green and SwitchMed) and their Secretariat. It found that having different geographic scopes but similar objectives provided a good basis for mutual learning, but that there was room to improve synergies among the three regional programmes.

The component with the greatest impact, green business development, increased the uptake of SCP practices and MSME investment levels and helped create an estimated 352 000<sup>29</sup> green jobs. The SWITCH-Asia programme was particularly effective, contributing, among other things, to greener supply chains in the Thai automotive industry.

**Consolidating and supporting democracy**

**6.25.** *Figure 6.7* provides an overview of the programme statement indicators linked to specific objective 2 ‘Consolidating and supporting democracy’.

---




<sup>27</sup> See *Evaluation of EU international cooperation on Sustainable Consumption and Production*, 11 April 2018.

<sup>28</sup> *Idem*.

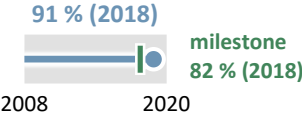

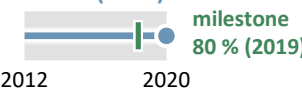



<sup>29</sup> Estimate of jobs created for SWITCH-Asia and SWITCH African Green combined (*idem*, p. 47).

Figure 6.7 – Overview of indicators linked to specific objective 2

According to the Commission data, are the indicators on track to meet their targets ?

	Input and output	Result	Impact
yes			
no			
unclear			

#### Indicators linked to 'Consolidating and supporting democracy'

Indicator	Progress to target	On track?	Type
Rule of law as measured by the World Bank's Worldwide Governance Indicator	 <p>91 % (2018) milestone 82 % (2018)</p> <p>2008 2020</p>	 yes	impact
Number of projects to promote democracy, the rule of law, good governance and respect for human rights	 <p>100 % (2019) milestone 80 % (2019)</p> <p>2012 2020</p>	 yes	output
SDG 5.5.1 Proportion of seats held by women in national parliaments	 <p>16 % (2019) milestone 31 % (2016)</p> <p>2011 2020</p>	 no	impact

Source: ECA, based on the programme statements for the 2021 draft budget.

## Results for democracy and human rights remain fragmented

**6.26.** The Commission’s DCI mid-term evaluation in 2017 reported several obstacles to addressing democracy and human rights issues in certain regions (e.g. human rights in Iraq, justice in Bolivia). It found that results in the area of human rights had been “fragmented and of questionable sustainability”<sup>30</sup>. Several elements confirm the negative trend for specific objective 2. The rule of law is deteriorating in DCI countries, despite an increasing number of DCI projects in this area, and the limited progress previously made in increasing the presence of women in national parliaments was undone in 2019. However, we would stress that progress in this area is not solely dependent on the Commission.

## Mainstreaming of human rights remains a work in progress

**6.27.** Human rights mainstreaming is increasingly controversial and remains a work in progress in DCI countries<sup>31</sup>. As noted in, for example, the Myanmar evaluation, political and cultural factors may hinder the evaluation of certain aspects of human rights, such as gender mainstreaming. Despite the Commission’s initiatives to improve access to education for girls, Myanmar’s 2016-2021 National Education Strategic Plan<sup>32</sup> did not include strong provisions on gender equality. Promoting EU values may be at odds with the principle of allowing stakeholders in developing countries to take charge of their own development (‘country ownership’), and such tensions may hamper the DCI’s performance<sup>33,34</sup>.

---

<sup>30</sup> See the [DCI mid-term evaluation](#), pp. 20 and 21.

<sup>31</sup> [Idem](#), pp. vi and 19.

<sup>32</sup> See [Evaluation of the EU cooperation with Myanmar, January 2020](#), pp. 45 and 46.

<sup>33</sup> See Commission Staff Working Document on the Evaluation of the Development Cooperation Instrument, [SWD\(2017\) 600 final](#), pp. 15 and 19.

<sup>34</sup> See our special report on [EU support to fight human trafficking](#), paragraphs 53-57.

# The European Neighbourhood Instrument

## The purpose and functioning of the European Neighbourhood Instrument

**6.28.** The European Neighbourhood Instrument (ENI) is the main source of EU funding for 16 partner countries, managed by the Commission's Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR), to implement the European neighbourhood policy (see the overview of the ENI and its background in [Figure 6.8](#)). Its general objective is to establish an area of shared prosperity and good relations with its neighbours to the south and east<sup>35</sup> (see [Picture 6.1](#)), with six specific objectives:

- 'Establishing deep and sustainable democracy';
- 'Achieving integration into the EU internal market';
- 'Fostering well-managed mobility of people';
- 'Supporting sustainable development';
- 'Promoting good neighbourly relations';
- 'Enhancing regional cooperation'.

**6.29.** The ENI provides funding for:

- (1) bilateral programmes (up to 80 % of the ENI budget)<sup>36</sup>;
- (2) multi-country programmes addressing challenges common to some or all partner countries (up to 35 %);
- (3) cross-border cooperation programmes between Member States and partner countries along their shared part of the EU's external border (up to 4 %).

---

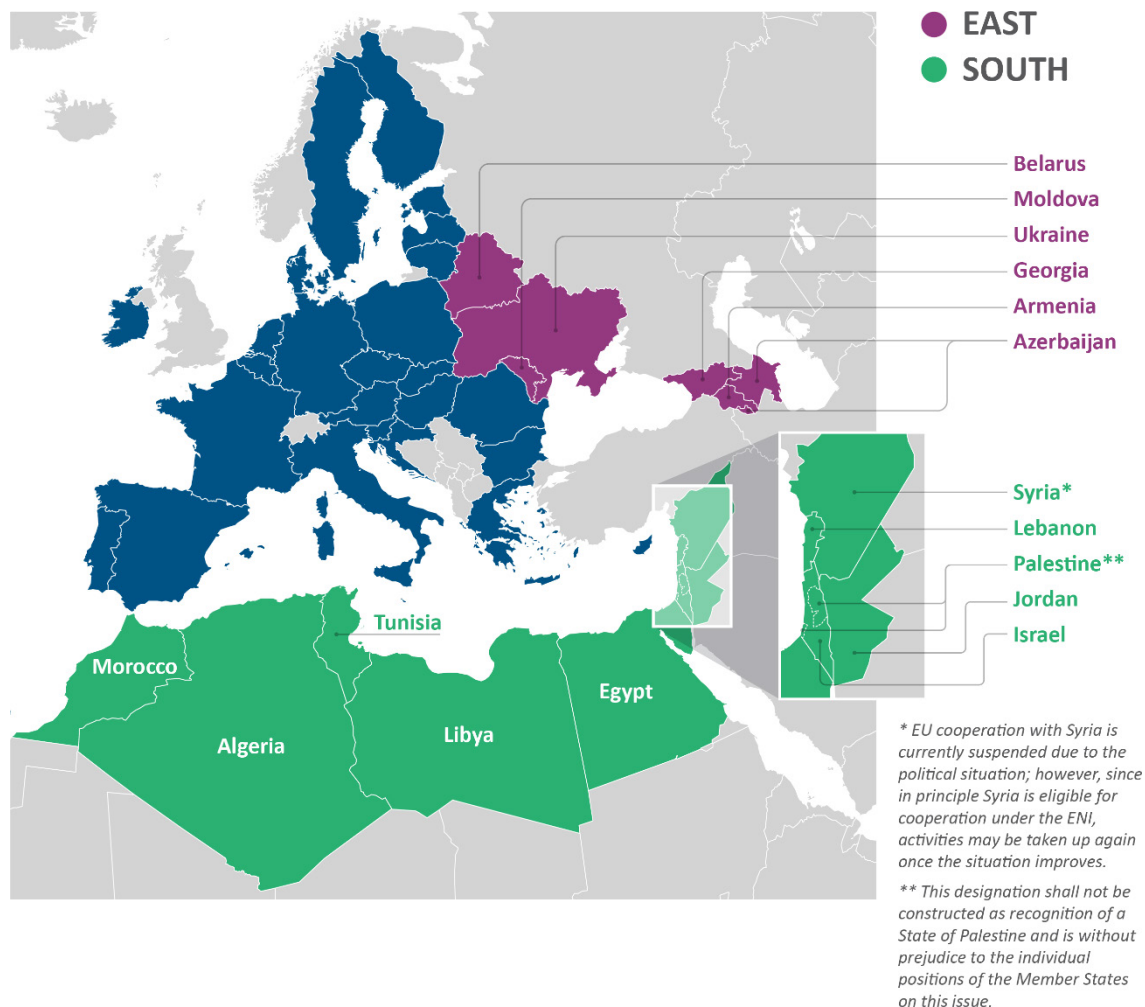
<sup>35</sup> The ENI's general and specific objectives are listed in [Annex 6.1](#).

<sup>36</sup> See Annex II to [Regulation \(EU\) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument](#).



**6.30.** The ENI's budget for the 2014-2020 MFF is approximately 17 billion euros. Overall, by end of 2019, the Commission had committed 85 % of this allocation and spent 42 %<sup>37</sup>.

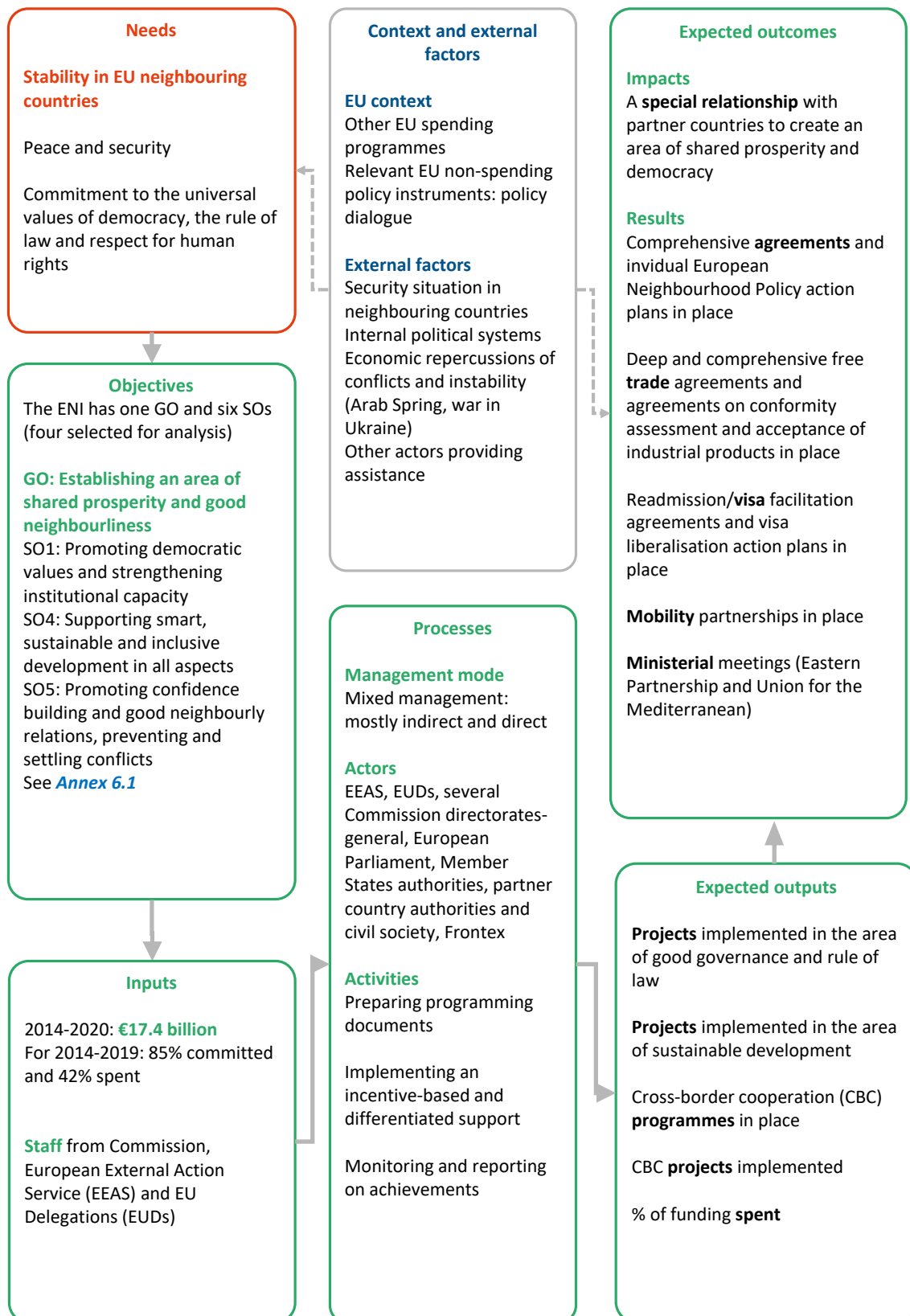
**Picture 6.1 – The 16 European Neighbourhood partner countries**



Source: ECA.

<sup>37</sup> See programme performance overview in [2019 AMPR Annex I](#), p. 184.

Figure 6.8 – Overview of the ENI



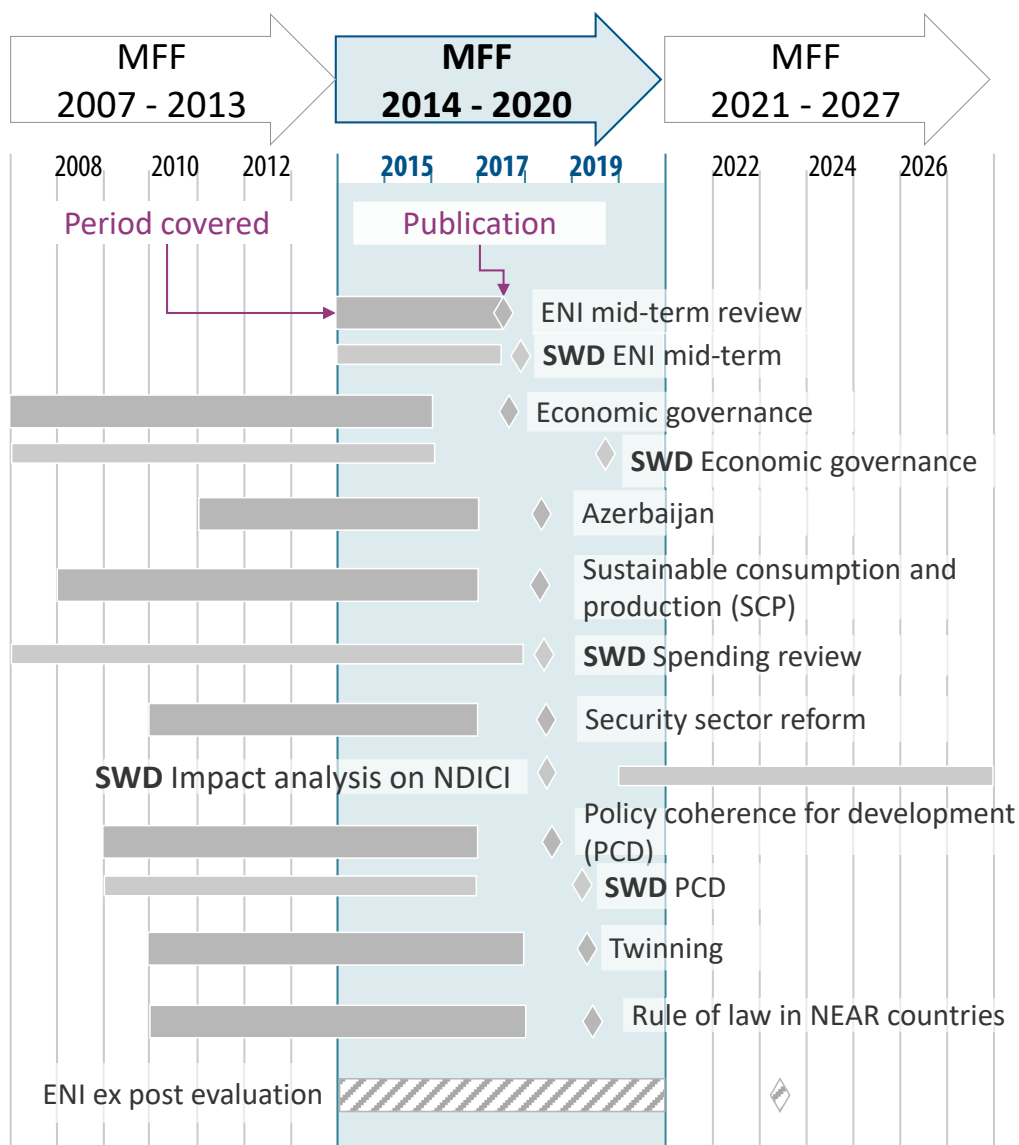
Source: ECA, based on the ENI Regulation 232/2014, Commission programme statements, AMPR, ENI programme performance overview, AARs and the evaluation on the ENI (SWD (2017)602 final)).

## Published performance information

**6.31.** In addition to its usual high-level performance reports (AMPR, programme statements and AAR)<sup>38</sup>, the Commission publishes an annual report on the implementation of the EU instruments for financing external action (see paragraph 6.9).

**6.32.** The Commission has provided performance information on the ENI in a number of evaluations (see *Figure 6.9*):

**Figure 6.9 – Timing of main ENI evaluations and periods covered**



Source: ECA, based on the evaluations and staff working documents (SWDs) published by the Commission.

<sup>38</sup> See paragraph 1.3.

## Assessment of the ENI's performance, based on published performance information

### General comments

**6.33.** *Figure 6.10* provides an overview of all ENI indicators in the programme statement. *Figure 6.11* presents the indicators related to the general objective. More detailed overviews per specific objective are presented in *Figure 6.12*, *Figure 6.13* and *Figure 6.14*. In paragraph 1.24 we discuss some general limitations<sup>39</sup> applying when interpreting these indicators. In particular, our assessment whether a given indicator is 'on track' relates to the likelihood of this indicator meeting its target. This assessment does not take into account whether, and how closely, a given indicator is linked to the ENI actions and objectives, nor whether the target set for this indicator is adequately ambitious. Therefore, it is only a first step in analysing the ENI performance. We have also not audited the reliability of the underlying data, but we discuss it in chapter 1 (see paragraphs 1.13-1.23).

---

<sup>39</sup> See also paragraphs 3.21-3.35 of the 2018 annual report.

Figure 6.10 – Overview of all ENI indicators in programme statements

**According to the Commission data, are the ENI indicators on track to meet their targets ?**

	Input and output	Programme outcome indicators	
		Result	Impact
General objective	■	■ ■	▨ ▨
Specific objective 1 'Establishing deep and sustainable democracy'			■ ▨ ▨
Specific objective 4 'Supporting sustainable development'			■ ■ ■ ■
Specific objective 5 'Promoting good neighbourly relations'			■ ■
Other specific objectives'	■ ■ ■	■ ■ ■ ▨ ▨ ■	■ ■

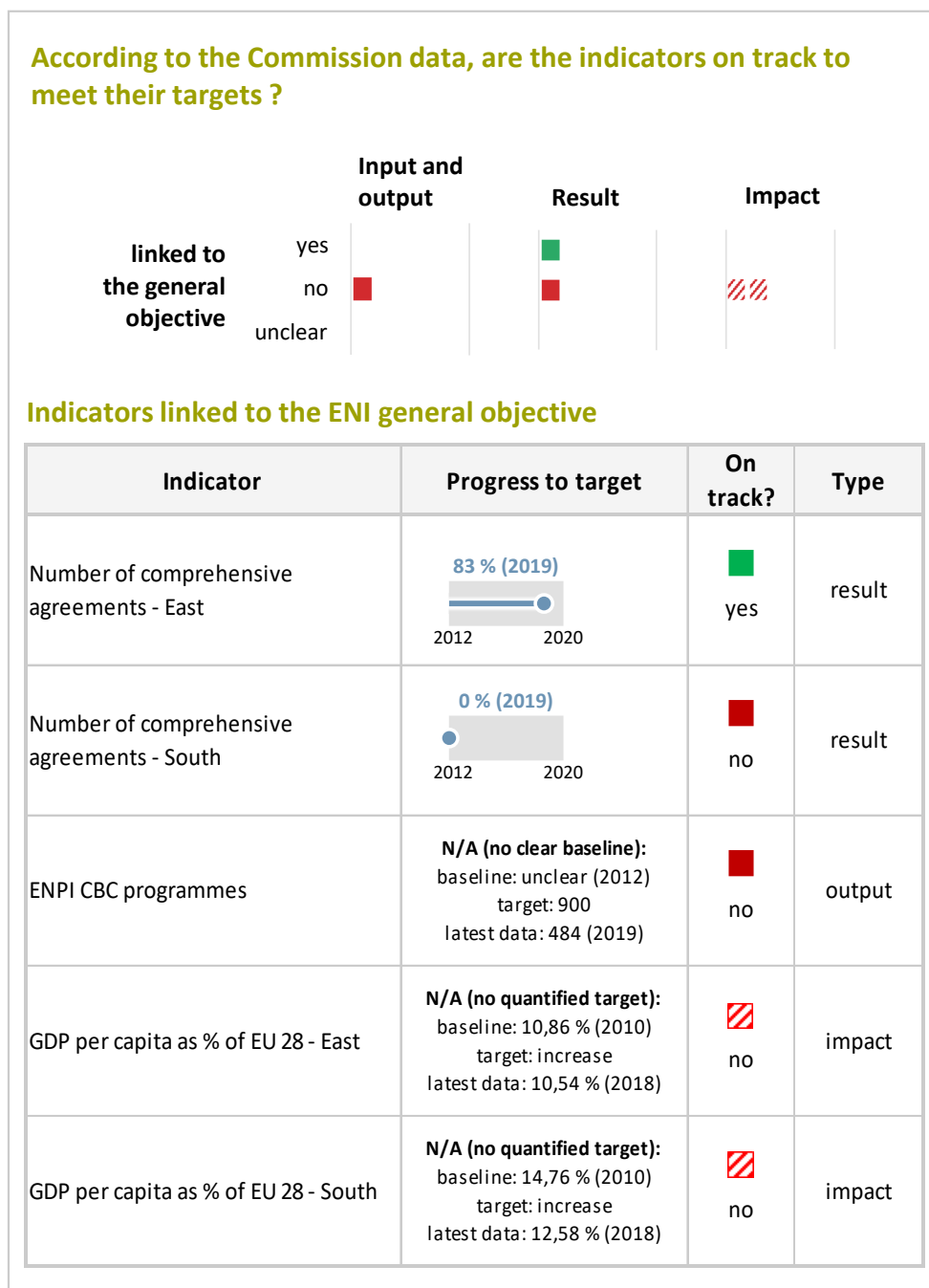
	Indicators on track to meet their targets?		
	ON TRACK	NOT ON TRACK	UNCLEAR
Indicators with quantified targets	■	■	■
Indicators without quantified targets	▨	▨	▨

*Note:* Our analysis is based on Commission data that we have not audited.

The above illustration of whether indicators are 'on track' relates to our assessment of the probability that a given indicator will reach its target. However, an indicator may not be affected by the actions implemented under the programme, or it may not be relevant to the programme's objective – and its target may not reflect adequate ambition. Therefore, the fact that an indicator is 'on track' to meet its target does not necessarily mean that the programme itself is on track to meet its objectives. See also the **Appendix** (point 18).

*Source:* ECA, based on the programme statements for the 2021 draft budget.

Figure 6.11 – Overview of indicators linked to general objective 1



Source: ECA, based on the programme statements for the 2021 draft budget.

**Performance is unclear for the specific objectives selected, meaning a robust assessment of the ENI's overall performance is not possible**

**6.34.** Just over half (13) of the 25 ENI programme statement indicators are impact indicators, which, by their nature, give an idea of the context in which the ENI operates, rather than an assessment of its performance. The remaining indicators are result (9) and output indicators (3). The specific objectives selected, accounting for 80 % of ENI budget<sup>40</sup>, have 10 impact indicators and no result indicators. As a result, there is no clear assessment of how the programme has performed in relation to those objectives. Nevertheless, the programme statement indicators for the general objective (1 output, 2 result and 2 impact indicators) provide a hint on the ENI's overall performance.

**EU relationships generally strengthened but design issues persist**

**6.35.** With the ENI's general objective, the Commission aimed to develop a special relationship with European Neighbourhood Policy countries. Since 2003, the EU has negotiated joint documents with a series of neighbourhood countries. Most recently, in Neighbourhood South, it agreed partnership priorities with Jordan, Lebanon, Egypt and Algeria; and strategic priorities with Tunisia and Morocco. In Neighbourhood East, deep and comprehensive free trade agreements exist with Georgia, Moldova and Ukraine, and a comprehensive and enhanced *partnership agreement* exists with Armenia.

**6.36.** The Commission also signed 25 financing agreements with the participating partner countries for the implementation of the ENI cross-border cooperation programmes and adopted 16 of the 17 programmes planned for the implementation of cross-border cooperation projects. By the end of 2019, the *managing authorities* in the participating Member States had managed to award 797 contracts<sup>41</sup> and sign 484 contracts out of the 900 planned for the ENI implementation period<sup>42</sup> (contracting is possible until 31 December 2022).

---

<sup>40</sup> As per programme statements for the 2019, 2020 and 2021 draft budgets, the Commission has decided to allocate 80 % of ENI budget to the specific objectives 1, 4 and 5.

<sup>41</sup> As per DG NEAR internal sources.

<sup>42</sup> See programme statement for the ENI for the 2020 and for the 2021 draft budgets, pp. 459-478 and pp. 641-664 respectively.

**6.37.** In certain cases, external factors hampered progress. There is an impasse in the EU's relations with Libya and Syria, where civil wars are ongoing. Moreover, the Commission and Belarus have not managed to agree on partnership priorities.

**6.38.** There is evidence that dialogue and '*twinning*' projects (see [Box 6.2](#)) have been useful tools for identifying needs and increasing the respective roles of civil society and public administrations, and that EUTFs have been generally effective in crisis situations (see paragraph [6.13](#)). In countries with lower ambitions in their relations with the EU, the ENI has proven a useful tool for boosting technical reforms. The evaluation of EU cooperation with Azerbaijan, for instance, concluded that performance was generally better on actions with uncontroversial and highly 'technical' objectives and/or with a focus on modernisation, such as those related to statistics, social services, taxation, tourism and education. Initiatives in other areas, such as support for civil society organisations and promotion of renewable energy, faced resistance and performed less well<sup>43</sup>.

### Box 6.2

#### **Twinning: an effective peer-to-peer tool for public administrations**

Twinning is a tool for cooperation between public administrations in partner countries and equivalent institutions in EU Member States. Between 2010 and 2017 (the period covered by the twinning evaluation we reviewed), the Commission implemented 272 twinning projects in the neighbourhood area, for a total of 303,6 million euros.

Twinning has been particularly effective in strengthening institutional capacities in neighbourhood countries' public administrations. Although the tool has suffered from design weaknesses<sup>44</sup> and decreasing interest from EU Member States in recent years, the twinning manual adopted in 2017 aims to rectify many of the shortcomings.

The tool's added value stems from the unique expertise provided by EU Member States' public administrations and the peer-to-peer nature of the cooperation. It can also reinforce other tools such as budget support, provided it is well timed<sup>45</sup>.

<sup>43</sup> See [Evaluation of the European Union's Cooperation with Azerbaijan](#), 23 April 2018, p. 11.

<sup>44</sup> See our special report on [Tunisia](#), paragraph 55.

<sup>45</sup> See our special report on [Morocco](#), paragraphs 50-52.



**6.39.** Needs assessments help to design EU support better by targeting aid at the areas that need it most, and are much needed in a changing environment. Previous ECA reports have found that EU actions are not always based on comprehensive needs assessments<sup>46</sup>. The evaluations we reviewed for the present report did not always mention whether needs assessments had been carried out<sup>47</sup>.

#### **DG NEAR acknowledges the need to improve ENI monitoring**

**6.40.** Other Commission reports contain additional indicators that could provide a more complete picture. These mainly provide values for DG NEAR (e.g. its overall key performance indicators) as a whole or for all external action instruments (e.g. AAR indicators such as number of joint programmes concluded between the Commission and the Member States; number of Neighbourhood Investment Facility investments in the area of renewable energy and energy efficiency). DG NEAR is currently considering how to align these indicators with existing monitoring systems (see paragraph 6.31).

#### **Knowledge gaps**

**6.41.** There is limited evidence and a lack of result indicators for each specific objective, particularly specific objective 5 ‘Promoting good neighbourly relations’.

**6.42.** There are weaknesses in the monitoring of individual projects as noted by several of our audits. Several of the indicators analysed in our reports were not specific<sup>48</sup>, lacked baselines<sup>49</sup> or targets<sup>50</sup>, or did not monitor results<sup>51</sup>. Most recently, our report on data quality in budget support also found that indicators had several shortcomings.

---

<sup>46</sup> See our special report on [EUTF for Africa](#), paragraphs 16, 20 and 21.

<sup>47</sup> See [Thematic Evaluation on Support to Economic Governance in Enlargement and Neighbourhood Countries](#).

<sup>48</sup> See our special reports on the [EUTF for Africa](#), paragraph 49 and on [Tunisia](#), paragraph 55.

<sup>49</sup> See our special reports on the [EUTF for Africa](#), paragraphs 20, 21 and 51 and on [Morocco](#), paragraph 48.

<sup>50</sup> See our special report on [Morocco](#), paragraph 48.

<sup>51</sup> [Idem](#), paragraph 47.

**6.43.** As mentioned in paragraph 6.18, SWDs are a key deliverable of the evaluation process. However, for five<sup>52</sup> of the eight evaluations we reviewed, there were no SWDs, meaning DG NEAR's judgement on the external evaluators' conclusions was not published. More importantly, we noted weaknesses in the assessments for three *focus areas*:

- the SWD for **economic governance** endorsed evaluation conclusions while disregarding important weaknesses in the evaluation process;
- following a negative opinion from the Regulatory Scrutiny Board on the quality of the SWD for the **rule of law** evaluation, the Commission decided to publish only the external evaluation and not the SWD;
- the Commission terminated the contract for the evaluation on **public administration reform**, and no evaluation was published.

**6.44.** There is an inevitable time lag between spending on a multiannual programme and observing its outcome. As of 1 January 2020, 58 % of the ENI's total allocation for the 2014-2020 MFF had not yet been spent (see paragraph 6.30), meaning many results are likely to only materialise after 2020. As for all external action instruments, the Commission is required to produce a final evaluation report on the 2014-2020 period as part of the interim review of the next financial period<sup>53</sup>, which will take place after 2022.

## Establishing deep and sustainable democracy

**6.45.** *Figure 6.12* provides an overview of the programme statement indicators linked to specific objective 1 'Establishing deep and sustainable democracy'.



---

<sup>52</sup> See evaluations on [Azerbaijan](#), [Sustainable Consumption and Production](#), [Security Sector Reform](#), [Twinning](#) and [Rule of Law in Neighbourhood](#) and [Candidates and Potential Candidates of Enlargement](#).





<sup>53</sup> See Article 17 of [Regulation \(EU\) No 236/2014](#) of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action.

Figure 6.12 – Overview of indicators linked to specific objective 1

**According to the Commission data, are the indicators on track to meet their targets ?**

	Input and output	Result	Impact
yes			
no			
unclear			

**Indicators linked to 'Establishing deep and sustainable democracy'**

Indicator	Progress to target	On track?	Type
Progress made in achieving political reforms, as assessed by relevant reports - East	<b>N/A (no quantified target):</b> baseline: not specified target: "Further progress" (2020) latest data: "Some progress" (2019)	 inconclusive data	impact
Progress made in achieving political reforms, as assessed by relevant reports - South	<b>N/A (no quantified target):</b> baseline: not specified target: "Further progress" (2020) latest data: "Some progress" (2019)	 inconclusive data	impact
Weighted score based on eight external sources	<b>33 % (2018)</b>  2010 2020 <b>milestone 67 % (2017)</b>	 no	impact

Source: ECA, based on the programme statements for the 2021 draft budget.

### No clear progress in establishing deep and sustainable democracy

**6.46.** The first two indicators under this specific objective show the progress made in political reforms in Neighbourhoods South and East, but the assessment criteria are unclear. This information was taken from annual progress reports, which are no longer produced, and there is no clear reference to the equivalent report replacing them. Moreover, the target ("further progress") and the reported results ("some progress") are vague.

**6.47.** DG NEAR also measures partner countries' progress in achieving deep and sustainable democracy when deciding whether to supplement their financial allocations with '*umbrella programmes*'. However, the external evaluation did not have access to the criteria used for this assessment, and the effectiveness of umbrella programmes has been limited<sup>54</sup>.

**6.48.** The third indicator is a weighted score (out of 100) for aspects such as corruption, press freedom, government effectiveness and rule of law (the EU average is at 76.99). This impact indicator has remained at 40 since 2015, falling short of the 2017 milestone (42) and well short of the 2020 target (44). Measures to promote good governance and rule of law have not yielded significant improvement, partly due to the unstable context<sup>55</sup>.

**6.49.** The evaluation we reviewed on rule of law notes that EU support has been most effective where it was long-term and intensive in nature, as was the case, for example, with technical assistance in Georgia. It nevertheless concludes that rule of law is a difficult area in which the EU has not managed to fully meet its own expectations. Lack of political will and the design of some actions (e.g. investment in courts or prisons not being complemented by support in other areas like probation services) have undermined the sustainability of results<sup>56</sup>.

## Supporting sustainable development

**6.50.** *Figure 6.13* provides an overview of the programme statement indicators linked to specific objective 4 'Supporting sustainable development'.

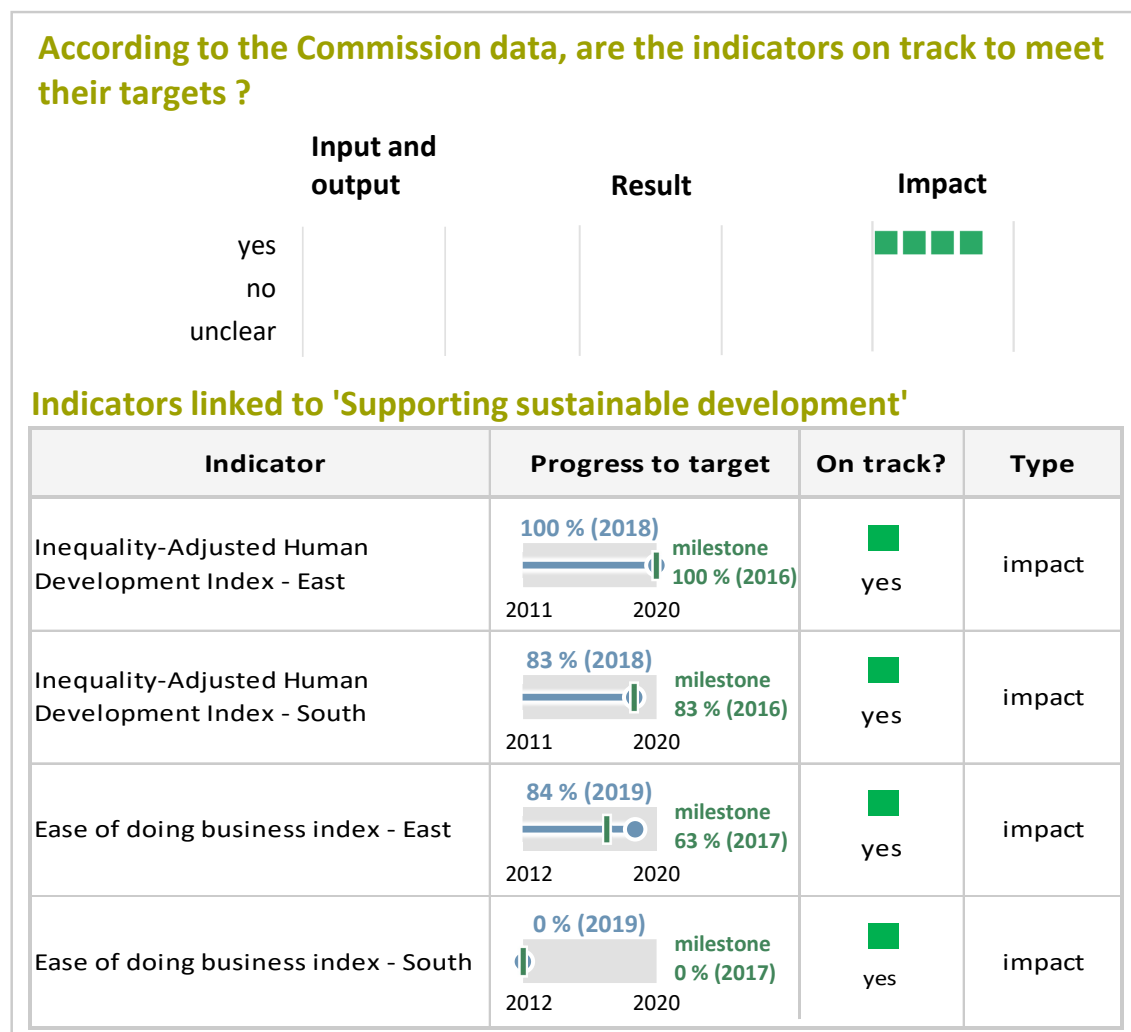
---

<sup>54</sup> See ENI mid-term evaluation: [External Evaluation of the European Neighbourhood Instrument \(ENI\)](#), June 2017, pp. 37, 41 and 42.

<sup>55</sup> *Idem*, p. 11.

<sup>56</sup> See [Thematic Evaluation of EU support for Rule of Law in neighbourhood countries and candidates and potential candidates for accession \(2010-2017\)](#), pp. ix, 66 and 67.

Figure 6.13 – Overview of indicators linked to specific objective 4



Source: ECA, based on the programme statements for the 2021 draft budget.

### A positive trend in human and business development

**6.51.** The first two indicators concern the number of countries (in Neighbourhoods South and East respectively) with an 'inequality-adjusted human development index' (IHDI) above 0,700 (for reference in 2018 the IHDI values for EU countries ranged from 0,714 for Bulgaria to 0,876 for Finland). The 2018 data for this indicator shows an improvement in both Neighbourhoods South and East, with all countries but one (Syria) exceeding the 0,700 threshold.

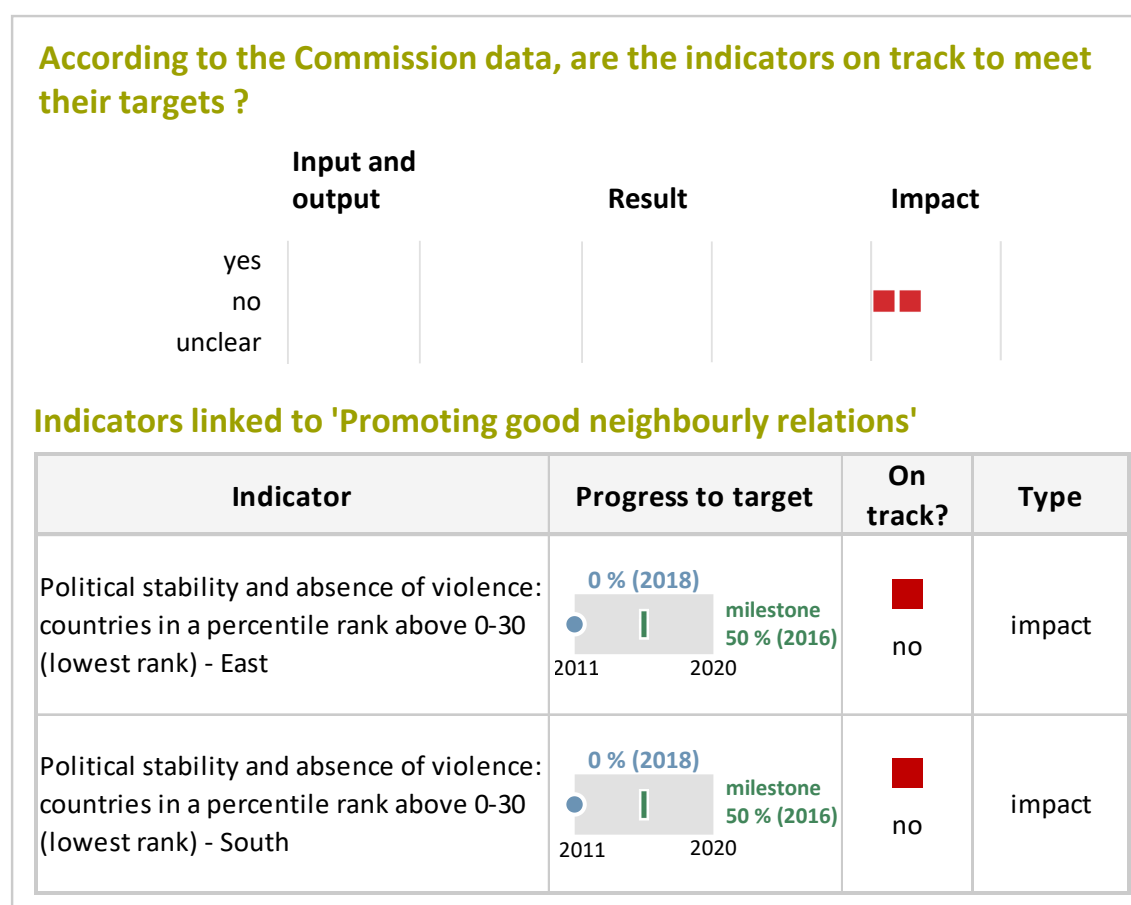
**6.52.** The third and fourth indicators, on ease of doing business, despite being both on track, paint a different picture for each region. In Neighbourhood East, the previous upward trend reversed slightly in 2019, eventually jeopardising the achievement of the 2020 target. In Neighbourhood South, in 2014 the indicator started below the 2012 baseline, but it has since improved, closing the gap with the 2020 target.

**6.53.** *Trade potential* between the EU and Neighbourhood South and East countries has increased. In the most vulnerable countries, macro-financial assistance, although not an ENI tool, has complemented ENI support and has been critical in either preventing a recession (Tunisia) or preventing a deeper one (Ukraine). Most importantly, it has helped to avoid significant cuts to the state budget<sup>57</sup>.

### Promoting good neighbourly relations

**6.54.** *Figure 6.14* provides an overview of the programme statement indicators linked to specific objective 5 'Promoting good neighbourly relations'.

**Figure 6.14 – Overview of indicators linked to specific objective 5**



Source: ECA, based on the programme statements for the 2021 draft budget.

<sup>57</sup> See ENI mid-term evaluation p. 12.

**Some progress on political stability, notably in *security sector reform***

**6.55.** In Neighbourhood East, the indicator on political stability and absence of violence has recently seen a slight improvement, but shows no progress in absolute terms. In Neighbourhood South, the aftermath of the Arab Spring meant a difficult start<sup>58</sup> for this indicator. It has made progress since then, but is struggling to return to baseline levels. Nevertheless, these indicators are subject to external factors and therefore cannot directly measure the ENI's performance for this specific objective.

**6.56.** The evaluation on security sector reform noted achievements in relation to both specific objectives 3 and 5. Several Neighbourhood East countries met the requirements for visa-free travel status<sup>59</sup>. The evaluation also noted some progress in Lebanon (cooperation between security agencies) and Ukraine (border guards shifting from a paramilitary organisational structure to a civilian one). In Ukraine, however, it also identified resistance to reforms (legislation on police, military and security service), as well as in Georgia (impunity of law enforcement officials) and Palestine (justice system used to repress dissent)<sup>60</sup>.

---

<sup>58</sup> The 2014 value was four countries (in a percentile rank above 0-10), below the 2011 baseline of seven countries.

<sup>59</sup> Georgia, Moldova and Ukraine met the requirements on legal framework and institutional capacity although Ukraine's requirements were relaxed for political reasons (see [Evaluation of EU Support for Security Sector Reform in Enlargement and Neighbourhood Countries](#), 2018, p. 39).

<sup>60</sup> *Idem*, pp. 54 to 57.

## Results of performance testing of transactions

**6.57.** As part of our 2019 *statement of assurance* work, we reviewed the performance of five DCI projects and three ENI projects. Three of the DCI projects had suffered from performance issues: two had experienced implementation delays and will therefore not deliver all their planned outputs and results by the relevant deadline, while one (see [Box 6.3](#)) had not set any target to measure its performance. However, none of the ENI projects we reviewed had suffered from performance issues.

### Box 6.3

#### DCI project with no clear targets

In 2013, the Commission signed a *delegation agreement* with a development bank to contribute to South Africa's development through innovative *financial instruments*. At the time, the *beneficiary* had identified six performance indicators, but had not set any targets or milestones to track the project's performance effectively. During our on-the-spot visit in 2019, the Commission confirmed it was working with the beneficiary to set clear performance targets. However, as of April 2020, there was still no agreement on targets.



## Conclusions

**6.58.** The Commission's high-level performance reports provide insufficient information to assess the DCI's performance (see paragraph 6.12). The information allowed us to draw only tentative conclusions on the ENI's performance in relation to its general objective of establishing an area of shared prosperity and good relations with the EU's southern and eastern neighbours. Progress towards this objective had been greater in Neighbourhood East than in Neighbourhood South (see paragraphs 6.34, 6.35 and 6.55).

**6.59.** The indicators in these reports revealed a generally positive trend in terms of poverty reduction, gender equality in education, number of agreements with neighbouring countries and human development. They showed a worsening trend in terms of consolidation of democracy, rule of law and political stability (see *Figure 6.4-Figure 6.7* and *Figure 6.10-Figure 6.14*). However, these indicators did not provide information on the performance of the programmes themselves, but rather on the context in which they operated. The mix of indicators used did not clearly illustrate the extent to which the programmes were delivering their expected outputs and results, and how these, in turn, were contributing to the achievement of the programmes' expected impacts (see paragraphs 6.12 and 6.34).

**6.60.** The high-level performance reports highlighted the difficult context in which the DCI and the ENI operated, as well as obstacles to promoting democracy (see paragraphs 6.26 and 6.46). Still, they noted good progress on sustainable development (see paragraphs 6.22 and 6.52).

**6.61.** Other Commission evaluations and annual reports, and our audit reports, provided a less positive assessment in relation to the DCI's and ENI's objective of consolidating and supporting democracy (see paragraphs 6.27, 6.47 and 6.49) and the ENI's objective of promoting good neighbourly relations (see paragraph 6.56). Despite noting shortcomings in the programmes' design and implementation (see paragraphs 6.14-6.16, 6.19, 6.24, 6.27, 6.39-6.43, 6.49), they provided examples of areas of progress: SCP (see *Box 6.1*) and projects with 'technical' objectives (see paragraph 6.38) and of tools that had helped deliver faster (EUTFs) (see paragraph 6.13) or better-targeted support (twinning) (see *Box 6.2*).

**6.62.** By the end of 2019, the Commission had spent around 40 % of the DCI and ENI combined budget. The spending decisions in the next two years will therefore influence the extent to which the Commission achieves the objectives set for these programmes. They will be subject to a final evaluation after 2022 (see paragraphs [6.20](#) and [6.44](#)).

# Annexes

## Annex 6.1 Objectives of the DCI and the ENI

GENERAL OBJECTIVES			
OBJECTIVE NUMBER	FULL TEXT OF THE OBJECTIVE	SHORT VERSION USED IN THIS CHAPTER	PART OF OUR SELECTION?
DCI GO1	Fostering the sustainable and inclusive development in partner countries and regions and the promotion of democracy, the rule of law, good governance and respect for human rights, as foreseen in the TEU, with the primary aim of eradicating poverty	Eradicating poverty	YES
ENI GO1	Establishing an area of shared prosperity and good neighbourliness involving the Union and the partner countries by developing a special relationship founded on cooperation, peace and security, mutual accountability and shared commitment to universal values of democracy, the rule of law and respect for human rights in accordance with the Treaty on EU	Establishing an area of shared prosperity and good neighbourliness	YES
SPECIFIC OBJECTIVES			
OBJECTIVE NUMBER	FULL TEXT OF THE OBJECTIVE	SHORT VERSION USED IN THIS CHAPTER	PART OF OUR SELECTION?
DCI SO1	Poverty reduction and fostering sustainable economic, social and environmental development	Fostering sustainable development	YES
DCI SO2	Consolidating and supporting democracy, rule of law, good governance, human rights and the relevant principles of international law	Consolidating and supporting democracy	YES
ENI SO1	Promoting human rights and fundamental freedoms, the rule of law, principles of equality and fight against discrimination in all its forms, establishing deep and sustainable democracy, promoting good governance, fight against corruption, strengthening institutional capacity at all levels and developing a thriving civil society including social partners	Establishing deep and sustainable democracy	YES

SPECIFIC OBJECTIVES			
OBJECTIVE NUMBER	FULL TEXT OF THE OBJECTIVE	SHORT VERSION USED IN THIS CHAPTER	PART OF OUR SELECTION?
ENI SO2	Achieving progressive integration into the Union internal market and enhanced sector and cross-sectoral cooperation including through legislative approximation and regulatory convergence towards Union and other relevant international standards and improved market access including through deep and comprehensive free trade areas, related institution building and investments, notably in interconnections	Achieving integration into the EU internal market	NO
ENI SO3	Creating conditions for the better organisation of legal migration and the fostering of well managed mobility of people, for the implementation of existing or future agreements concluded in line with the Global Approach to Migration and Mobility, and for promotion of people-to-people contacts, in particular in relation to cultural, educational, professional and sporting activities	Fostering well managed mobility	NO
ENI SO4	Supporting smart, sustainable and inclusive development in all aspects; poverty reduction, including through private-sector development and reduction of social exclusion; promotion of capacity building in science, education and in particular higher education, technology, research and innovation; promotion of internal economic, social and territorial cohesion; rural development; public health; environmental protection, climate action and disaster resilience	Supporting sustainable development	YES
ENI SO5	Promoting confidence building, good neighbourly relations and other measures contributing to security in all forms and the prevention and settlement of conflicts, including protracted conflicts	Promoting good neighbourly relations	YES
ENI SO6	Enhancing sub-regional, regional and Neighbourhood wide collaboration as well as Cross-Border Cooperation	Enhancing regional cooperation	NO

Source: ECA, based on the programme statements for the 2021 draft budget.

## Chapter 7

### Follow-up of recommendations

# Contents

	Paragraph
<b>Introduction</b>	<b>7.1.-7.14.</b>
<b>We analysed the implementation of 2016 recommendations addressed to the Commission and other auditees</b>	<b>7.2.-7.4.</b>
<b>How has the Commission addressed our recommendations?</b>	<b>7.5.-7.12.</b>
<b>How have other auditees addressed our recommendations?</b>	<b>7.13.-7.14.</b>
<b>Conclusion</b>	<b>7.15.</b>
<b>Annexes</b>	
<b>Annex 7.1 — Detailed status of 2016 recommendations by report – European Commission</b>	
<b>Annex 7.2 — Detailed status of 2016 recommendations by report – other auditees</b>	

## Introduction

**7.1.** Every year, we review the extent to which our auditees have taken action in response to our recommendations. This follow-up of our recommendations is an important step in the audit cycle. It provides us with feedback on whether our auditees have implemented the actions we recommended and whether the issues we raised have been addressed, and gives an incentive to our auditees to implement our recommendations. It is also important in designing and planning our future audit work and for keeping track of risks.

### **We analysed the implementation of 2016 recommendations addressed to the Commission and other auditees**

**7.2.** This year, we analysed recommendations from 33 of the 36 special reports we published in 2016. The recommendations of special report No 09/2016, “EU external migration spending in southern Mediterranean and Eastern Neighbourhood countries until 2014” and special report No 32/2016, “EU assistance to Ukraine”, fall outside the scope of this exercise and will be followed up under separate audits. We have also postponed the follow-up of the recommendations of special report No 29/2016, “The Single Supervisory Mechanism – A good start but further improvements needed”, for reasons related to the COVID-19 pandemic.

**7.3.** In total, we followed up on 315 recommendations. Of these, 270 were addressed to the Commission<sup>1</sup>. The remaining 45 recommendations were addressed to other auditees, such as the European External Action Service, the European Central Bank, and EU agencies. As in the past, recommendations addressed to Member States fell outside the scope of the follow-up exercise. In 2016, there were 38 such recommendations.

**7.4.** We used documentary reviews and interviews with auditees to carry out our follow-up work. To ensure a fair and balanced review, we sent our findings to the auditees and took account of their replies in our final analysis. The results of our work reflect the situation at the end of May 2020.

---

<sup>1</sup> The total number of recommendations addressed to the Commission was 284. Fourteen of these came from special reports Nos 09/2016 and 32/2016, which fell outside the scope of this exercise.

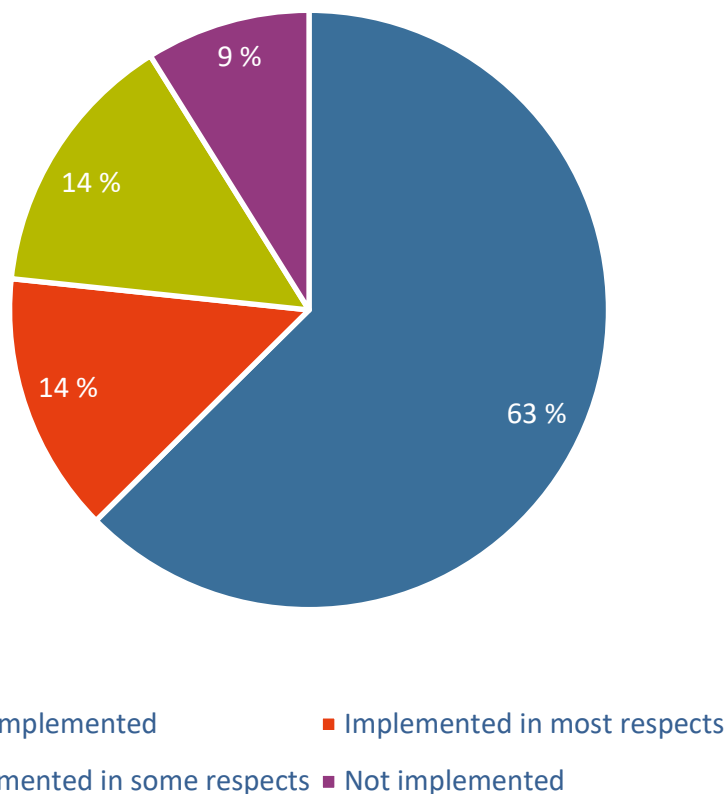
## How has the Commission addressed our recommendations?

**7.5.** The Commission has fully implemented 169 (63 %) of our 270 recommendations. It has implemented a further 38 (14 %) in most respects.

**7.6.** Of the remaining recommendations, the Commission has implemented 39 (14 %) in some respects, and has not implemented 24 (9 %) of them at all (see [Box 7.1](#)). [Annex 7.1](#) shows the implementation status of the recommendations in more detail. It also provides brief descriptions of the improvements and remaining weaknesses affecting the recommendations which have been implemented in some respects.

### Box 7.1

#### Implementation of our 2016 performance audit recommendations addressed to the Commission



Source: ECA.



**7.7.** In some areas, the Commission was particularly responsive to our recommendations. It implemented in full or in most respects all of the recommendations included in 13 of our special reports. **Box 7.2** below provides some examples.

#### **Box 7.2**

##### **Examples of special reports where all recommendations to the Commission have been implemented either fully or in most respects**

- Special report No 3/2016 – “Combating eutrophication in the Baltic Sea: further and more effective action needed”
- Special report No 16/2016 – “EU education objectives: programmes aligned but shortcomings in performance measurement”
- Special report No 20/2016 – “Strengthening administrative capacity in Montenegro: progress but better results needed in many key areas”
- Special report No 25/2016 – “The Land Parcel Identification System: a useful tool to determine the eligibility of agricultural land but its management could be further improved”
- Special report No 35/2016 – “The use of budget support to improve domestic revenue mobilisation in sub-Saharan Africa”

**7.8.** When the Commission did not implement our recommendations, this was most often because it had not accepted them, or had only partially accepted them, in the special report itself. Out of the 24 recommendations that the Commission did not implement, it had previously not accepted 20 (see **Box 7.3** for some examples).

### Box 7.3

#### Examples of not accepted recommendations that have not been implemented

The Commission did not accept recommendation 12 of special report No 19/2016, “Implementing the EU budget through financial instruments – lessons to be learnt from the 2007-2013 programme period”. The ECA asked the Commission to carry out a comparative analysis of the implementation costs of grants and repayable financial support for the 2014-2020 programme period, as it considered accurate information on these costs would be particularly relevant in preparing legislative proposals for the post-2020 period and determining an adequate level of technical assistance. The Commission did not accept the recommendation on the grounds of feasibility, proportionality, and relevance. Later, in the framework of 2015 discharge<sup>2</sup>, the European Parliament strongly supported this recommendation.

The Commission did not accept recommendation 6 of special report No 17/2016, “The EU institutions can do more to facilitate access to their public procurement”. The ECA recommended that the Commission should propose amendments to the EU Financial Regulation to allow for the rapid review of complaints from tenderers who consider that they have been unfairly treated. We recommended that such reviews should be made an obligatory step before tenderers can take up their case with the EU Ombudsman or commence legal actions before the EU Courts. The Commission did not accept the recommendation on the grounds that such amendments were not necessary, as the Financial Regulation already contained adequate provisions in this respect. Later, in the framework of 2015 discharge<sup>3</sup>, the European Parliament agreed with this recommendation.

The Commission did not accept recommendation 3 of special report No 26/2016 “Making cross-compliance more effective and achieving simplification remains challenging”. The ECA recommended that for the post-2020 CAP the Commission should propose adapting the rules regarding cross-compliance on-the-spot checks which would allow a more effective targeting of key control points. The Commission did not accept the recommendation on the grounds that this would not simplify cross-compliance but de facto reduce its scope. Accordingly, it might result in loosening the rules on on-the-spot checks which would ultimately undermine the effectiveness of cross-compliance. Later, in the framework of 2015 discharge<sup>4</sup>, the European Parliament also asked that the Commission for the CAP post-2020 envisage to improve the rules regarding cross compliance on-the-spot checks.

<sup>2</sup> European Parliament resolution of 27 April 2017 on the Court of Auditors’ special reports in the context of the 2015 Commission discharge (2016/2208(DEC)).

<sup>3</sup> Idem.

**7.9.** Overall, the Commission did not accept 27 recommendations from the special reports we published in 2016. Subsequently, 20 of these recommendations were not implemented, five were implemented in some respects, and two were fully implemented despite not having been accepted originally (see [Box 7.4](#) for an example).

#### **Box 7.4**

##### **Example of a recommendation which was implemented despite originally not having been accepted**

The Commission did not accept recommendation 2(a) of special report No 34/2016, “Combating food waste: an opportunity for the EU to improve the resource-efficiency of the food supply chain”, in order not to pre-empt it in its legislative role. Our analysis shows that the Commission nevertheless implemented this recommendation as part of its CAP proposal in June 2018.

**7.10.** With the help of a database<sup>5</sup>, the Commission keeps monitoring recommendations that it has accepted but not yet fully implemented. This includes recommendations from our 2015 special reports that were outstanding since our follow-up exercise last year<sup>6</sup>. However, the Commission does not actively follow up or keep records in its database any developments concerning the recommendations that it considers to have been implemented, even when the ECA does not consider them to have been fully implemented.

**7.11.** In our follow-up exercise last year<sup>7</sup>, we concluded that the Commission had not yet fully implemented 62 recommendations from our 2015 reports. This year, 51 of those 62 recommendations remained unimplemented and were no longer being followed up by the Commission. The Commission had not accepted 14 of those 51 recommendations in the special reports themselves. It considered that the remaining 37 recommendations had been fully implemented at the time of the last year’s follow-up exercise, though ECA considered otherwise.

---

<sup>4</sup> Idem.

<sup>5</sup> Called “Recommendations, Actions, Discharge”.

<sup>6</sup> See the 2018 annual report, paragraphs 3.72 to 3.78.

<sup>7</sup> See the 2018 annual report, Annex 3.3.

**7.12.** The Commission has continued to follow up the remaining 11 of the 62 recommendations which had not been implemented in full. According to the Commission's database, the Commission has since completed the implementation of four of those 11 recommendations (see [Box 7.5](#) for an example). It considers the remaining seven recommendations to have been partially implemented and expects that it will implement most of the remaining steps in 2020.

#### **Box 7.5**

##### **Example of a 2015 recommendation that the Commission considers to have been implemented since last year's follow-up exercise**

In last year's follow-up exercise reported in the 2018 annual report, we concluded that recommendation 1(a) of special report No 10/2015, "Efforts to address problems with public procurement in EU cohesion expenditure should be intensified", had been implemented in most respects.

We had recommended that the functionality of the database be extended to make more information available to its users. Since last year's exercise, the Commission has further upgraded the database. As a result of this development, the Commission now considers recommendation 1(a) to have been fully implemented although we have not yet reviewed the new system ourselves.

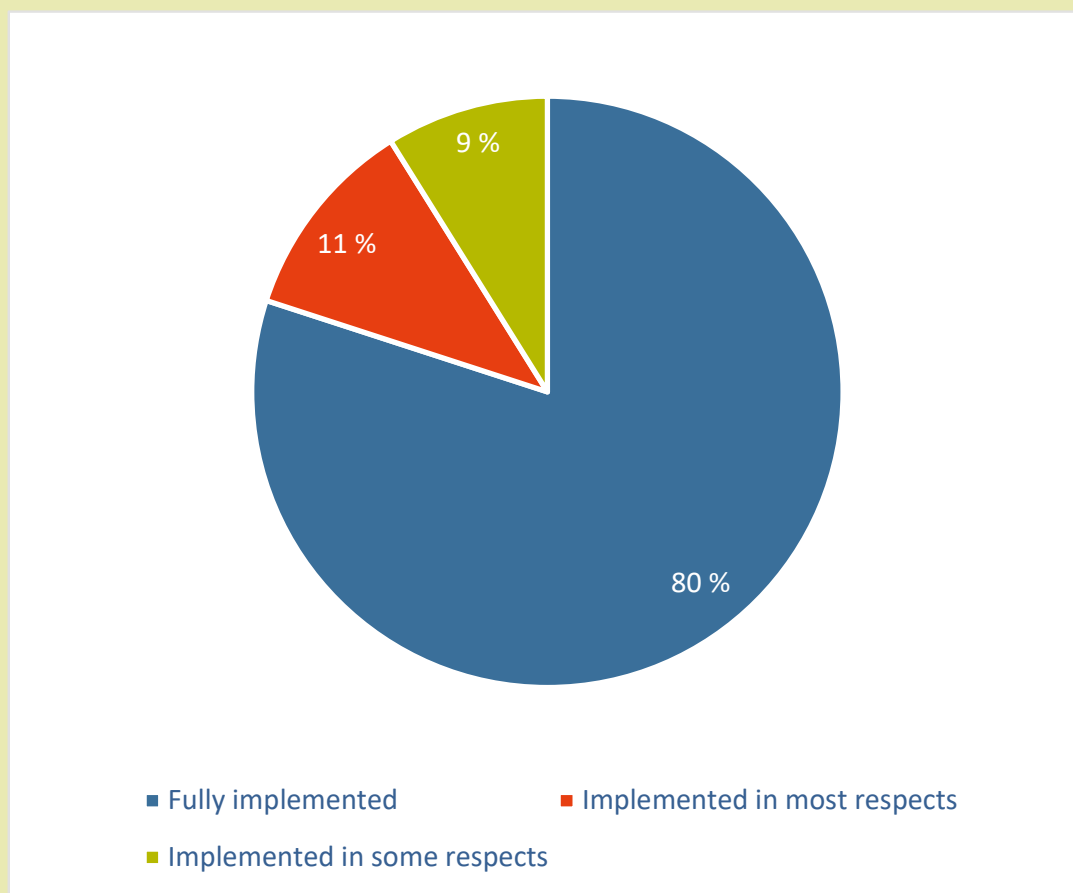
### **How have other auditees addressed our recommendations?**

**7.13.** In 2016, four special reports (see [Box 7.6](#)) falling within the scope of this exercise contained 45 recommendations addressed to auditees other than the Commission. Some recommendations were addressed to several different auditees at the same time.

**Box 7.6****2016 special reports including recommendations addressed to auditees other than the Commission**

- Special report No 04/2016 – “The European Institute of Innovation and Technology must modify its delivery mechanisms and elements of its design to achieve the expected impact”
- Special report No 07/2016 – “The European External Action Service’s management of its buildings around the world”
- Special report No 12/2016 – “Agencies’ use of grants: not always appropriate or demonstrably effective”, containing recommendations addressed to the European Centre for Disease Prevention and Control, the European Environment Agency, the European Food Safety Authority and the European Agency for the Management of Operational Cooperation at the External Borders
- Special report No 17/2016 – “The EU institutions can do more to facilitate access to their public procurement”, containing recommendations addressed to the European Commission, the European Parliament, the Council of the European Union and the European Central Bank

**7.14.** A greater proportion of the recommendations addressed to other EU institutions and bodies had been implemented than those addressed to the Commission. The EU institutions and bodies had fully implemented 36 (80 %) of the 45 recommendations addressed to them; they had implemented a further five (11 %) in most respects (see [Box 7.7](#)). The remaining four (9 %) recommendations had been implemented in some respects. [Annex 7.2](#) shows the implementation status of the recommendations in more detail, and provides brief descriptions of the improvements and remaining weaknesses affecting the recommendations which have been implemented only in some respects.

**Box 7.7****Implementation of our 2016 performance audit recommendations to auditees other than the Commission**

Source: ECA.

## Conclusion

**7.15.** Most of the recommendations of our performance audits have been implemented. The rate of implementation by the Commission is lower than that of auditees other than the Commission. There is scope for further progress with regard to the recommendations that have not been implemented and those which have not been fully implemented.

# Annexes

## Annex 7.1 — Detailed status of 2016 recommendations by report – European Commission

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
SR 1/2016	Is the Commission's system for performance measurement in relation to farmers' incomes well designed and based on sound data?	1	92			The Commission has improved its statistics-gathering so it better captures farmers' standards of living and provides better information on their farming income. However, the Commission's statistics do not yet provide the information on farmers' disposable income which would be needed to make comparisons with disposable incomes in other economic sectors in order to justify EU income support for farmers.	
		2 (1st indent)	94			The Commission has amended the economic accounts for agriculture (EAA) Regulation in order to align it with the standards for national accounts set out in the European System for Accounts (ESA 2010). While it was generally simple to implement this change, it had little or no impact on the estimation of the farmers' income in some countries. The Commission	



SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
						has not yet started to investigate how to assess the factors which the Court identified as having a significant influence on farmers' income. In addition, the Commission has not yet proposed a regulation for making data collection on land prices and rents a legal requirement.	
		2 (2nd indent)	94			The Commission decided to make the collection of regional-level data a legal requirement, but has not yet issued the corresponding amending act under the EAA Regulation.	
		2 (3rd indent)	94	X			
		2 (4th indent)	94			The Commission has started to draw attention to the incomparability of EAA-based income indicators across Member States. However, the EAA-based income indicators are still not used correctly.	
		3	95		X		
		4	96			The Commission has obtained and published the inventories of the methods applied by 24 Member States for compiling	

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
						the EAA, as well as the related quality reports, but has yet to carry out an assessment of the quality of the EAA for the whole EU.	
		5	98			The Commission has carried out on-the-spot checks in three Member States and has encouraged all Member States to make better use of the system's potential. It has also taken action to improve the FADN data. However, the Commission has not agreed clear timetables with the visited Member States for addressing the identified weaknesses. The statistical precision of the surveys is not yet known, pending the results of a study launched in 2018.	
		6 (1st indent)	100			The Commission has presented a legislative proposal for a new post-2020 CAP. Under the proposal, a CAP strategic plan will be drawn up for each Member State. It will contain operational objectives, baselines, milestones and targets. None of these have yet been established, pending the establishment of the CAP strategy plans and their approval by the Commission. So far, it is unclear how the Commission could ensure	

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
						that the plans are ambitious in their objectives, because the proposed regulation does not state that evidence of the baseline situation needs to be submitted in order to allow the Commission to assess how ambitious the targets are. Also, it does not stipulate any quantified EU-level targets.	
		6 (2nd indent)	100		X		
		6 (3rd indent)	100		X		
SR 2/2016	2014 report on the follow-up of the European Court of Auditors' Special Reports		29 (a)			The Commission started biannual stocktaking exercises in 2016, where DGs are invited to communicate and analyse their open recommendations, related replies, actions, justifications, completion dates, and supporting documents. The analysis of the open recommendations, however, could be improved to show the amount of timely progress made on corrective actions, while replies could include more facts and clearer references to supporting documents. A new database is under discussion.	

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
			29 (b)		X		
			29 (c)		X		
			29 (d)			The Commission has introduced the “partially implemented” category and is monitoring open recommendations. Analysis, however, shows that the “partially implemented” category is not used in a comprehensive and consistent way. Several recommendations at the initial stage (i.e. accepted) could also be counted in this category, which is not monitored separately.	
SR 3/2016	Combating eutrophication in the Baltic Sea further and more effective action needed	1 (a)	117		X		
		1 (b)	117	X			
		2 (a)	121	X			
		2 (b)	121	X			
		2 (c)	121	X			
		2 (d)	121	X			
		3	125	X			

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
SR 4/2016	The European Institute of Innovation and Technology must modify its delivery mechanisms and elements of its design to achieve the expected impact	1	106	X			
SR 5/2016	Has the Commission ensured effective implementation of the Services Directive?	1	112	X			
		2	113	X			
		3	114	X			
		4	116	X			
		5	117	X			
		6	118	X			
		7	119			The Commission has established procedures to launch infringement procedures without using the EU Pilot mechanism in an effort to speed up the whole process where this is appropriate. The Commission did not agree to share information on issues resolved via EU Pilot.	

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
		8	120	X			
SR 6/2016	Eradication, control and monitoring programmes to contain animal diseases		72 (a)			Although the Commission has made efforts to put in place a system to facilitate the exchange of epidemiological information, it is currently limited. This is because the ADIS system is not yet functional. It will be necessary to examine to what extent ADIS will bring added value in terms of providing more detailed epidemiological information and making it easier to update it with WAHIS +.	
			72 (b)	X			
			72 (c)	X			
			72 (d)	X			
SR 8/2016	Rail freight transport in the EU still not on the right track	1	97	X			
		2 (a)	97	X			
		2 (b)	97	X			
		3 (a)	97	X			
		3 (b)	97	X			

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
		4 (a)	97			Monitoring matrices have been partially developed, but no intermediate targets have been set, and there is a need to improve the data quality.	
		4 (b)	97			The survey performed does not cover a broad range or a significant number of rail network users, and does not cover the entire rail network.	
		4 (c)	97	X			
		5	97	X			
		6 (a)	100		X		
		6 (b)	100		X		
		7 (a)	100		X		
		7 (b)	100	X			
		8	100			Business plans and strategies of infrastructure managers are in place and have been communicated to the Commission, but the verification process is at an early stage.	

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
SR 10/2016	Further improvements needed to ensure effective implementation of the excessive deficit procedure	1	131	X			
		1	131	X			
		2	132	X			
		3	135	X			
		3	135			While the mission reports show that Eurostat requested certain data during on-the-spot visits, Eurostat still needs to assess the data sources and properly check that the compilation process, from the data sources through adjustments made until the final data, complies with the relevant standards.	
		3	135			Eurostat reviewed and improved its internal procedures on the timeframe related to the publication of the visit reports. There was some improvement in terms of a reduction in the time taken to publish these reports, but Eurostat is still failing to meet its internal publication guidelines.	
		4	136	X			
		5	137	X			



SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
		6	139	X			
		7 (1st indent)	141	X			
		7 (2nd indent)	141	X			
		7 (3rd indent)	141				X
		7 (4th indent)	141	X			
		8	143			The Commission has increased its focus on the levels of debt and has shown that the tools available under the reformed Stability and Growth Pact (SGP) can be effectively used to improve compliance with the debt rule. Only future excessive deficit procedures (EDPs) will provide evidence as to whether the required adjustments provide a realistic and credible convergence path towards compliance with the debt rule, in particular by taking into account the initial level of debt. The Commission has also not specified annual debt-to-GDP levels consistent with the deficit targets in its EDP	

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
						recommendations for the five Member States that were under an EDP after the publication of SR 10/2016. A further issue with a material impact on the EDP is the COVID-19 pandemic and its economic consequences. On 20 March 2020, the Commission adopted a Communication on the activation of the general escape clause of the SGP . The activation of this clause was endorsed by EU finance ministers on 23 March 2020. This does not suspend the procedures of the SGP, but allows Member States to depart from the budgetary requirements that would normally apply. As a result, the Commission published a number of Article 126(3) reports on 20 May 2020. However, it did not propose to the Council a decision to place Member States under EDP at that time. The Commission explained that this decision was due to the exceptional level of uncertainty created by the COVID-19 outbreak, including for designing a credible path for fiscal policy.	
		9	145	X			
		9	145				X

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
		10	147	X			
		10	147				X
		11	149				X
SR 11/2016	Strengthening administrative capacity in the former Yugoslav Republic of Macedonia limited progress in a difficult context	1 (i)	68	X			
		1 (ii)	68	X			
		1 (iii)	68	X			
		2 (i)	69	X			
		2 (ii)	69	X			
		3	70	X			
		4 (i)	71	X			
		4 (ii)	71		X		
		5	72	X			
		6 (i)	73	X			
		6 (ii)	73	X			
		6 (iii)	73	X			
		6 (iv)	73	X			

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
SR 13/2016	EU assistance for strengthening the public administration in Moldova	1	77	X			
		2	77	X			
		3	77		X		
		4	77	X			
		5	77		X		
		6	77	X			
SR 14/2016	EU policy initiatives and financial support for Roma integration significant progress made over the last decade but additional efforts needed on the ground	2 (a)	127		X		
		2 (b)	127	X			
		4	131		X		
		7	131		X		
		8 (a)	133				X
		8 (b)	133				X

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
SR 15/2016	Did the Commission effectively manage the Humanitarian aid provided to populations affected by conflicts in the African Great Lakes Region	1	58		X		
		2	59		X		
		3	60		X		
		4	60		X		
		5	61	X			
		6	62	X			
		7	62	X			
		8	63	X			
SR 16/2016	EU education objectives programmes aligned but shortcomings in performance measurement	1	93	X			
		2 (1st indent)	93	X			
		2 (2nd indent)	93	X			
		4	93	X			

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
SR 17/2016	The EU institutions can do more to facilitate access to their public procurement	1	103	X			
		2	104	X			
		3	105	X			
		4	105	X			
		5	106	X			
		6	107				X
		7	108	X			
		8	108	X			
		9	109	X			
SR 18/2016	The EU system for the certification of sustainable biofuels	1 (a)	76			The Renewable Energy Directive II (RED II) addresses indirect land-use change (ILUC) by setting certain limits on high ILUC risk biofuel production. However, RED II does not address potential negative socioeconomic effects, as these remain outside the Commission's remit for the assessment of the voluntary schemes. As a result, the transposition of RED II has not yet been completed.	
		1 (b)	76				X

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
		1 (c)	76		X		
		2 (a)	77		X		
		2 (b)	77		X		
		3 (a)	78			The implementing acts are intended to be adopted by 31 June 2021, however the "appropriate action" to be taken by the Commission when Member States raise concerns has not yet been defined. The Commission itself has no clear direct power to perform checks in the Member States to verify whether that the schemes' certification operations comply with the standards.	
		3 (b)	78			The Commission's latest assessment template includes a point referring explicitly to <i>complaints systems</i> . However, the existence of a complaints system is not addressed in any current legally binding document. In addition, this template is limited as it does not cover any of the specific elements listed in our recommendation.	
		4	79		X		

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
		5	80	X			
SR 19/2016	Implementing the EU budget through financial instruments — lessons to be learnt from the 2007-2013 programme period	1 (a)	151	X			
		1 (b)	151	X			
		2	151	X			
		3	154			The Commission has provided definitions of “leverage effect” in the relevant Regulations, as well as additional calculation guidance. However, isolating the resources attracted by EU funds is not addressed by the definitions and guidance. This means that the leverage ratio will continue to be overstated in certain cases.	
		4	154		X		
		5	154	X			
		6	154	X			
		7	154	X			
		8	157	X			
		9	157	X			
		10 (a)	162	X			



SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
		10 (b)	162				X
		11 (a)	162	X			
		12	162				X
SR 20/2016	Strengthening administrative capacity in Montenegro progress but better results needed in many key areas	1	42	X			
		2	44	X			
		3 (i)	45	X			
		3 (ii)	45	X			
		4 (i)	46	X			
		4 (ii)	46	X			
		5	47	X			
SR 21/2016	EU pre-accession assistance for strengthening administrative capacity in the Western Balkans A meta-audit	1	68	X			
		2	69	X			
		3	72	X			
		4	74		X		
		5	75	X			

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
SR 22/2016	EU nuclear decommissioning assistance programmes in Lithuania, Bulgaria and Slovakia some progress made since 2011, but critical challenges ahead	1 (c)	111	X			
		2 (a)	112	X			
		4	117		X		
		5	117		X		
		6	118		X		
		7	119	X			
		8	120	X			
SR 23/2016	Maritime transport in the EU in troubled waters much ineffective and unsustainable investment	1 (a)	105			Studies have been done and the TENtec database is in place, albeit with limited information on port capacity. However, no operative monitoring system is yet in place for regular monitoring on the capacity of all 104 core ports.	
		1 (b)	105				X
		1 (c)	105			Work is in progress on the latest update to DIP, but the plan has not been developed yet.	
		2 (a)	110	X			
		2 (b)	110	X			

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
		2 (c)	110		X		
		3 (a)	110	X			
		3 (b)	110	X			
		4 (a)	110		X		
		4 (b)	110				X
		5 (a)	114				X
		5 (b)	114	X			
		5 (c)	114	X			
		7 (a)	114				X
		7 (b)	114	X			
SR 24/2016	More efforts needed to raise awareness of and enforce compliance with State aid rules in cohesion policy	1	117		X		
		2 (a)	120		X		
		2 (b)	120	X			
		2 (c)	120	X			
		3 (a)	122	X			
		4 (a)	124	X			

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
		4 (b)	124				X
		4 (c)	124	X			
		4 (d)	124				X
		4 (e)	124				X
		5 (a)	130	X			
		5 (b)	130	X			
SR 25/2016	The Land Parcel Identification System a useful tool to determine the eligibility of agricultural land but its management could be further improved	2	76	X			
		4	78	X			
		5	80	X			
		6	80	X			
SR 26/2016	Making cross-compliance more effective and achieving simplification remains challenging	1	74			The Commission has considered introducing an indicator based on the rate of non-compliance into the set of indicators for the post-2020 CAP. However, it has not yet developed a set of indicators to assess the cross-compliance performance.	
		2	75			The Commission has improved the sharing of information on cross-compliance-related	

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
						infringements between departments. DG ENV is currently analysing the results of the DG AGRI statistics; if necessary, the two DGs will jointly analyse the potential root causes for any systemic breaches in order to propose solutions.	
		3	76				X
		4	77	X			
		5	78			A methodology to measure the costs of cross-compliance was developed and applied. However, the study to measure the cost was a one-off exercise: it was not used to reduce the implementation costs of cross-compliance or to assess whether the costs incurred were proportionate to the results achieved.	
		6	79			The proposal for the post-2020 CAP establishes minimum generic requirements for penalties. The control and sanction system remains the same and, in order to ensure a more harmonised application of penalties at EU level, there is still a need for clarification of the concepts of severity, extent, permanence, reoccurrence and	

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
						intention. Whether such a harmonised application of penalties will be part of the implementing rules or delegating acts remains open.	
SR 27/2016	Governance at the European Commission — best practice	1	66		X		
		2 (a)	66	X			
		2 (b)	66	X			
		2 (c)	66	X			
		2 (d)	66	X			
		2 (e)	66		X		
		2 (f)	66			The Commission streamlined the information provided on the level of errors in the AMPR. The ECA is currently performing an audit which will examine the reliability of the error rates provided by the Commission in the area of Cohesion.	
		2 (g)	66		X		
		2 (h)	66		X		

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
SR 28/2016	Dealing with serious cross-border threats to health in the EU important steps taken but more needs to be done	1 (a)	118	X			
		1 (b)	118	X			
		1 (c)	118	X			
		1 (d)	118	X			
		2 (a)	119	X			
		2 (b)	119	X			
		3 (a)	120		X		
		3 (b)	120		X		
		3 (c)	120	X			
		4 (a)	121	X			
		4 (b)	121	X			
		4 (c)	121	X			

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
SR 30/2016	The effectiveness of EU support to priority sectors in Honduras	1 (a)	64	X			
		1 (b)	64	X			
		1 (c)	64	X			
		2 (a)	65	X			
		2 (b)	65	X			
		2 (c)	65	X			
		3	66	X			
		4	67	X			
SR 31/2016	Spending at least one euro in every five from the EU budget on climate action ambitious work underway but at serious risk of falling short	1	95	X			
		2 (a)	95			The Commission reports annually consolidated information on the progress towards the overall 20 % target in its annual management and performance report, <i>Statement of Estimate and Programme Performance Overview</i> . This information is also reflected in some AARs. However, the Commission does not include comprehensive information on the progress towards the specific targets for climate action in all relevant annual activity reports.	



SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
		2 (c)	95				X
		3	96			The Commission funded an external study on financing needs to provide a review of the current arrangements for climate mainstreaming and tracking climate-related expenditure. The Commission's evaluations discuss the financing needs to achieve the climate mainstreaming target, but not the climate change needs.	
		4	100			In the proposal for the post-2020 CAP, the coefficient rate has been reduced from 100 % to 40 % for payments for natural or other area-specific constraints. The proposed 100 % coefficient rate for all environmental and climate commitments is not in line with the conservativeness principle.	
		5	102				X
		6 (a)	103				X
		6 (b)	103			The Commission has included climate-related result indicators to the proposals for the post-2020 CAP and the post-2020 ERDF/CF. These areas cover over 70 % of the	

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
						expected contribution to climate spending in the total EU budget for 2021-2027. However, climate-related indicators in all areas that contribute towards the achievement of the climate objectives (except for the CAP and ERDF/CF, for which proposals exist) remain to be established.	
		6 (c)	103	X			
		7 (a)	109				X
		7 (b)	109			The Commission proposed to increase the climate mainstreaming target in the post-2020 CAP. It also proposed to strengthen the climate-related requirements through enhanced conditionality. Despite the strong commitment of the Commission to address climate change, it remains unclear at this stage whether this will contribute to increased climate action spending.	

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
SR 33/2016	Union Civil Protection Mechanism the coordination of responses to disasters outside the EU has been broadly effective	1 (a)	74	X			
		1 (b)	74	X			
		1 (c)	74	X			
		1 (d)	74	X			
		2 (a)	74	X			
		2 (b)	74	X			
		2 (c)	74	X			
		2 (d)	74	X			
		3 (a)	74	X			
		3 (b)	74	X			
		3 (c)	74	X			
		3 (d)	74	X			
		4	74	X			
		5 (a)	74	X			
		5 (b)	74	X			

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
SR 34/2016	Combating Food Waste an opportunity for the EU to improve the resource-efficiency of the food supply chain	1	84			The extension of the mandate of the EU Platform on Food Losses and Food Waste and the announced new priority for a European Green Deal are indicative of the importance of combating food waste in EU policy. A new action plan still remains to be developed, while some of the actions of the Circular Economy Action Plan are still ongoing and are now expected to be finalised in 2021.	
		2 (a)	86	X			
		2 (b)	86	X			
		2 (c)	86			EFSA is involved in the groundwork for future guidance and Member States exchange practices regarding redistribution of surplus food. Some of the guidance under preparation now has an updated completion date of 31 December 2021.	
		3 (a)	87			EU guidance on food donation was published in October 2017. Mapping and analysis of the policy and regulatory framework in Member States appears to be at a standstill, which casts doubts on the updated completion date of 30 June 2020.	

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
		3 (b)	87				X
		3 (c)	87	X			
		3 (d)	87	X			
SR 35/2016	The use of budget support to improve domestic revenue mobilisation in sub-Saharan Africa	1 (a)	70	X			
		1 (b)	70	X			
		2 (a)	72	X			
		2 (b)	72	X			
		3	73	X			
		4	74	X			
		5	75	X			
		6	76	X			
SR 36/2016	An assessment of the arrangements for closure of the 2007-2013 cohesion and rural development programmes	1	118				X
		2	127			In the Commission's proposal for the post - 2020 period, a new performance review mechanism was introduced. It allows the Commission to assess whether programme targets have been achieved and, if necessary, impose financial corrections for underperformance. For the EAFRD, the	

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
						Commission does not calculate a residual risk rate at programme level taking into account the financial corrections resulting from conformity audits. There is thus no assurance that the remaining error for a programme does not exceed the materiality level.	
		3	127			There is no specific report envisaged on results achieved and the final outcome of closure for the programme period as a whole.	
		4	131			Some improvements were achieved to reduce the overlap of eligibility periods; however, some of this overlap will still continue. Concerning Cohesion, there are no requirements for Member States to submit all closure documents no later than six months after the final eligibility date.	
		6	133	X			
		7	141	X			

## Annex 7.2 — Detailed status of 2016 recommendations by report – other auditees

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
SR 4/2016	The European Institute of Innovation and Technology must modify its delivery mechanisms and elements of its design to achieve the expected impact	<b>European Institute of Innovation and Technology (EIT)</b>					
		2	107	X			
		3	108	X			
		4	109	X			
SR 7/2016	The European External Action Service's management of its building around the world	<b>European External Action Service (EEAS)</b>					
		1	68		X		
		2	68	X			
		3	70		X		
		4	71			Some deals to renegotiate agreements for rents and conditions have been concluded by EU Delegations and residences and, overall, conditions have improved compared to five years ago. The EEAS has kept the growth of buildings-related expenditure under control in its budget. However, a portfolio overview (dashboard) for monitoring the market rates of EU	

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
						Delegations and residences is still not in place. A specific effort is needed to cover at least the 50 most expensive agreements in force for EU Delegations offices and residences.	
		5	71			The measuring standards to be applied by EU Delegations were developed, and information sessions were organised for staff in Delegations. The Immogest buildings management software was updated with data from re-measurements. However, this software still needs major improvements to fully meet needs, such as the inclusion of more information about buildings costs/rent, the categorisation of usable space (by type of use), and information on co-location surfaces and rents. Immogest interfaces with other databases need to be improved to reduce the need for data imported from other systems to be entered manually.	
		6	72		X		
		7	72			From 2015 to 2019, we note that the EEAS improved the prioritisation of works to be performed/deals to be concluded in the	



SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
						coming two years. The EEAS still needs to improve its mid-term planning for buildings. Even if the EEAS considers that a seven-year rolling plan covers a very long timeframe, a plan covering at least three to four years should be designed and its implementation should be monitored with specific emphasis on its results, costs and timing. Such mid-term planning is essential to support more concretely the EEAS's buildings strategy. The two key planning documents (buildings strategy and mid-term planning) should be better aligned.	
		8	72			About 50 % of rental contracts now have a purchase option. The improvement of the information in building files and in market prospection has had a positive impact on the decision to rent or buy. However, a portfolio overview and an analysis of opportunities for renting or buying, initiated by Headquarters and managed centrally, is still not in place. A method to perform appropriate economic analyses of buying instead of renting options should be developed and be based on suitable indicators, such as net present value. The	

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
						same indicator should be applied to all options; in the event of purchase, the residual (market) value of the asset after its lifecycle should be estimated and incorporated into the calculation.	
SR 12/2016	Agencies' use of grants: not always appropriate or demonstrably effective	European Center for Disease Prevention and Control (ECDC)					
		1	53	X			
		2	54	X			
		4	56	X			
		5	57	X			
		European Environment Agency (EEA)					
		1	53		X		
		2	54		X		
		4	56	X			
		5	57	X			
		European Food Safety Authority (EFSA)					
		1	53	X			

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
		2	54	X			
		5	57	X			
		<b>European Agency for the Management of Operational Cooperation at the External Borders (FRONTEX)</b>					
		1	53	X			
		2	54	X			
		3	55	X			
		4	56	X			
		5	57	X			
SR 17/2016	The EU institutions can do more to facilitate access to their public procurement	<b>European Parliament</b>					
		1	103	X			
		3	105	X			
		4	105	X			
		5	106	X			
		7	108	X			
		9	109	X			

SR	Report title	No.	SR paragraph	Fully implemented	Implemented in most respects	Implemented in some respects (short summary of improvements and weaknesses remaining)	Not implemented
		<b>Council of the European Union</b>					
		1	103	X			
		3	105	X			
		4	105	X			
		5	106	X			
		7	108	X			
		9	109	X			
		<b>European Central Bank</b>					
		1	103	X			
		3	105	X			
		4	105	X			
		5	106	X			
		7	108	X			
		9	109	X			

# Appendix

## Audit approach and methodology

- (1) Our performance audit methodology is set out in the Performance Audit Manual, which is available on our [website](#). In our audits we follow the [International Standards of Supreme Audit Institutions \(ISSAI\) on performance audits](#).

### PART 1 – Chapter 1: Performance framework

- (2) Each year we will examine a different aspect of the *performance framework*. The topic we selected for this year's report is the Commission's high-level performance reporting through the annual management and performance report (AMPR) and programme statements. We examined whether the Commission has a robust process for producing these reports and whether they give a clear, comprehensive and balanced overview of the performance of EU spending programmes.
- (3) In order to answer these questions we reviewed, among other things:
  - (a) the AMPR for 2019 and previous years;
  - (b) the programme statements for the 2021 draft budget and previous years;
  - (c) the *annual activity reports* of the Directorates General for Agriculture and Rural Development (DG AGRI) and Regional and Urban Policy (DG REGIO) for 2019 and previous years;
  - (d) the most recent and previous sets of instructions and templates for preparing programme statements and annual activity reports.
- (4) As part of the audit, we carried out audit visits to the Commission (Secretariat-General, and Directorates-General for Budget (DG BUDG), DG AGRI and DG REGIO), in order to examine and discuss the design and functioning of the procedures for:
  - (a) gathering performance data from Member States and checking its quality and reliability;
  - (b) drafting, reviewing and adopting annual activity reports, programme statements and the AMPR.

## PART 2 – Chapters 2 to 6: Performance of EU spending programmes

- (5) In chapters 2 to 6 we cover the results achieved by EU programmes under headings 1a, 1b, 2, 3 and 4 of the 2014-2020 multiannual financial framework (MFF). Our purpose was to establish how much relevant performance information is available and, based on that information, to assess how well EU spending programmes have actually performed.

### Our sample

- (6) There are 58 spending programmes under the 2014-2020 MFF. For our assessment we took a sample of nine (see [Table 1](#)). We selected two programmes per MFF heading (with the exception of MFF heading 3, the smallest, for which we selected just one programme). We selected from among the four biggest programmes (by budget) under each MFF heading. Where possible, we selected pairs of closely related programmes (headings 1b, 2 and 3), which could be expected to produce some of their results jointly. Taken together the nine spending programmes we cover represent 74 % of all payments made up to the end of 2019 against the current MFF commitments.

**Table 1 – Our sample of spending programmes for chapters 2 to 6**

Chapter	MFF heading	Spending programme selected
2	1a: Competitiveness for growth and jobs	Horizon 2020; <i>European Fund for Strategic Investments</i>
3	1b: Economic, social and territorial cohesion	European Regional Development Fund; <i>Cohesion Fund</i>
4	2: Sustainable growth: natural resources	<i>European Agricultural Guarantee Fund;</i> <i>European Agricultural Fund for Rural Development</i>
5	3: Security and citizenship	Asylum, Migration and Integration Fund
6	4: Global Europe	Development Cooperation Instrument; European Neighbourhood Instrument

Source: ECA.

- (7) Each spending programme has between one and twenty objectives (general and/or specific). We examined the performance of spending programmes against a selection of these objectives (see Annexes 2.1, 3.1, 4.1, 5.1 and 6.1). We covered all general objectives and a selection of specific objectives chosen for their materiality and links to a general objective and higher-level EU objectives.

## Review

- (8) We based our assessment on the performance information issued by the Commission, including:
  - (a) the 2019 AMPR;
  - (b) the relevant programme statements for the 2021 draft budget;
  - (c) the 2019 annual activity reports of the relevant directorates-general;
  - (d) evaluations relating to the performance of programmes under the current and previous MFFs;
  - (e) various programme-specific performance reports.
- (9) We supplemented this information with recent findings from our own audit and review work. We did not have our own results available in relation to all the selected programme objectives.
- (10) We checked the Commission performance information for plausibility and consistency with our findings, but we did not audit its reliability.
- (11) We focused on the most recent information relating to the latest versions of EU spending programmes under the 2014-2020 MFF. Given that *ex post evaluations* of these programmes will not be prepared until well after the end of the current MFF period, and that interim evaluations are not available for all programmes, we often had to refer to performance information for the predecessor programmes under the 2007-2013 MFF. In doing so, we took into account the extent of changes in the design and implementation of programmes between the two periods.

## Analysis of indicators

- (12) As part of our assessment of performance, we analysed the information from performance indicators presented in the relevant programme statements for the 2021 draft budget. We also made a comparison with previous programme statements.
- (13) The nine programmes in our sample are covered by a total of 262 indicators, more than are numbered in the programme statements themselves. The reason is that indicators in the programme statements frequently consist of two or more sub-indicators, each with separate baselines, targets and sets of actual values achieved. We counted each such sub-indicator as a separate indicator.

- (14) We classified all indicators as input, output, result or impact indicators. Although the legislation for some programmes does the same, the Commission has not classified all its indicators in this way. In some cases, our classification, which we based on the Commission's better regulation guidelines, may differ from that found in the legislation.
- (15) Our analysis of indicators included a calculation of progress so far to target, in each case using the relevant baseline (see [Table 2](#)). This is only possible when quantified data was available for the baseline, target and latest actual values.






**Table 2 – Calculation of progress to target (from baseline)**

Baseline	Latest actual value	Target	Calculation	Progress to target
20	40	70	$(40-20)/(70-20)$	40 %


Source: ECA.

- (16) In addition, we assessed whether each indicator was 'on track' to meet its target and present this information graphically in indicator overviews (see [Table 3](#)).

**Table 3 – Graphic representation of the 'on track' analysis**

Symbol	Meaning	Comments
	'on track'	Based on the data available, the indicator is likely to meet its target in time.
	'on track'; no quantified target	Based on the data available, the indicator is likely to meet its target in time. The target is not quantified but sufficiently specific to assess the likelihood of reaching it.
	'not on track'	Based on the data available, the indicator is NOT likely to meet its target in time.
	'not on track'; no quantified target	Based on the data available, the indicator is NOT likely to meet its target in time. The target is not quantified but sufficiently specific to assess the likelihood of reaching it.
	Unclear	Based on the data available it is not possible to state confidently that the indicator is likely, or not, to meet its target.



Symbol	Meaning	Comments
	Unclear; no quantified target	Based on the data available it is not possible to state confidently that the indicator is likely, or not, to meet its target. There is no quantified target.

Source: ECA.

(17) **Table 4** gives examples of how we assessed whether a given indicator was ‘on track’ to meet its target, and explains our criteria. We did not apply these criteria automatically, but examined the indicators one by one, on the basis of the available information, combined with professional judgement.

**Table 4 – Examples of our ‘on track’ assessments**

Information in the programme statements	Our assessment	Criteria and reasoning
Baseline (2013): 50 Target (2023): 150 <b>Milestone (2018): 100</b> <b>Latest value: (2018): 90</b> Previous values: (2017): 80; (2016): 70	NOT ON TRACK	<b>Criterion:</b> If there is a milestone for the year for which we have the latest data, the indicator is ‘on track’ if the milestone has been met.  <b>Reasoning:</b> Milestone missed.
Baseline (2013): 50 Target (2023): 150 <b>Milestone (2019): 100</b> <b>Latest value: (2018): 90</b> <b>Previous values: (2017): 80; (2016): 70</b>	ON TRACK	<b>Criterion:</b> If there is no milestone for the year for which we have the latest data, but there is a milestone for another year, the indicator is ‘on track’ if progress so far has been in line with that milestone.  <b>Reasoning:</b> Given the steady progress to target during 2016-2018, the 2019 target is likely to be met.

Information in the programme statements	Our assessment	Criteria and reasoning
<b>Baseline (2013): 50</b> <b>Target (2023): 150</b> Milestone: none <b>Latest value: (2018): 80</b> <b>Previous values: (2017): 75; (2016): 70, (2015): 60; (2014): 55</b>	NOT ON TRACK	<p><b>Criterion:</b> If there is no milestone, the indicator is 'on track' if progress so far has been broadly in line with a linear progression from baseline to target, or if the actual values to date show a more 'exponential' progress profile, with a slow start and acceleration in subsequent years.</p> <p><b>Reasoning:</b> Progress to target is 30 %, significantly below the linear value of 50 % that could be expected halfway through implementation, and the actual values to date show no acceleration.</p>
<b>Baseline (2013): 50</b> <b>Target (2023): 150</b> Milestone: none <b>Latest value: (2018): 80</b> <b>Previous values: (2017): 63; (2016): 55, (2015): 52; (2014): 51</b>	ON TRACK	<p><b>Criterion:</b> If there is no milestone, the indicator is 'on track' if progress so far has been broadly in line with a linear progression from baseline to target, or if the actual values to date show a more 'exponential' progress profile, with a slow start and acceleration in subsequent years.</p> <p><b>Reasoning:</b> Progress to target is 30 %, significantly below the linear value of 50 % that could be expected halfway through implementation. However, the actual values recorded to date show a clear acceleration, which, if maintained, makes it likely that the target will be achieved.</p>
Baseline (2013): 50 <b>Target (2023): increase</b> Milestone: none <b>Latest value: (2018): 60</b> <b>Previous values: (2017): 56; (2016): 55, (2015): 52; (2014): 51</b>	ON TRACK; NO QUANTIFIED TARGET	<p><b>Criterion:</b> If the target is not quantified, the indicator is 'on track' if the terms of the target have been met so far, or are likely to be met.</p> <p><b>Reasoning:</b> The unquantified target is 'to increase' and all values recorded to date are above the baseline, thus meeting the terms of the target.</p>

Information in the programme statements	Our assessment	Criteria and reasoning
Baseline (2013): 50 <b>Target (2023): maintain</b> Milestone: none <b>Latest value: (2018): 40</b> <b>Previous values: (2017): 46; (2016): 49, (2015): 52; (2014): 51</b>	NOT ON TRACK	<b>Criterion:</b> If the target is not quantified, the indicator is 'on track' if the terms of the target have been met, or are likely to be met.  <b>Reasoning:</b> The target is 'to maintain', i.e. is equal to the baseline, but the latest actual value is 20 % below the baseline.
<b>Baseline (2013): 50</b> <b>Target (2023): 150</b> <b>Milestone: none</b> <b>Latest values: (2018): 90</b>	UNCLEAR; NO QUANTIFIED TARGET	<b>Criterion:</b> If there is no milestone, the indicator is 'on track' if progress so far has been broadly in line with a linear progression from baseline to target, or if the actual values to date show a more 'exponential' progress profile, with a slow start and acceleration in subsequent years.  <b>Reasoning:</b> Progress to target is 40 %, 10 percentage points below the linear value of 50 % that could be expected halfway through implementation. No other data is available to show whether progress to target has been linear or more exponential.
Baseline (2013): 50 <b>Target: not defined</b> Milestone: none Latest value (2018): 90	UNCLEAR; NO QUANTIFIED TARGET	<b>Reasoning:</b> If there is no target, it is impossible to assess whether the indicator is 'on track'.
Baseline (2013): 50 Target (2023): 150 Milestone (2019): 100 <b>Latest value: no data</b>	UNCLEAR	<b>Reasoning:</b> If there is no data on progress to target, it is impossible to assess whether the indicator is 'on track'.

Source: ECA.

- (18) Our analysis of indicators is based on Commission data that we have not audited. Our assessment of whether indicators are 'on track' relates to our analysis of the probability that a given indicator will reach its target. However, the analysis does not include the relevance of the indicator in relation to the programme's objectives and actions, nor the level of ambition of the target. For example, an indicator may not be affected by the actions implemented under the programme, or it may not be relevant to the programme's objective – and its target may not

reflect adequate ambition. Therefore, indicators by themselves do not necessarily reflect the attainment of programme objectives. A full analysis of programme performance entails analysing indicator data in conjunction with other quantitative and qualitative information.

- (19) We nevertheless consider that the indicators generally provide insight into certain aspects of programmes' performance. In chapters 2 to 6, the report presents graphical overviews of indicators. In addition, chapter 1 and, where relevant, the text accompanying the indicator overviews set out limitations of the indicators' informative value.

#### **Performance testing of transactions**

- (20) Another part of our audit was to assess the performance of programmes using a sample of transactions tested in the course of our work on the statement of assurance. We checked whether these transactions were in line with the relevant programme objectives and whether they were meeting or likely to meet any performance targets.

### **PART 3 – Chapter 7 – Follow-up of recommendations**

- (21) Following up recommendations of our special reports is a recurrent task. In chapter 7 we analyse to what extent the recommendations we made in special reports published in 2016 have been implemented. We classify recommendations as implemented fully, in most respects, in some respects or not at all.

**Institutions' replies to the Report of  
the European Court of Auditors on the  
performance of the EU budget –  
Status at the end of 2019**

# Contents

	Page
<b>Chapter 1    Performance framework</b>	
European Commission's replies	291
<b>Chapter 2    Competitiveness for Growth and Jobs</b>	
European Commission's replies	300
<b>Chapter 3    Economic, social and territorial cohesion</b>	
European Commission's replies	307
<b>Chapter 4    Natural resources</b>	
European Commission's replies	314
<b>Chapter 5    Security and Citizenship</b>	
European Commission's replies	324
<b>Chapter 6    Global Europe</b>	
European Commission's replies	334
<b>Chapter 7    Follow-up of recommendations</b>	
European Commission's replies	341

## **REPLIES OF THE COMMISSION TO THE EUROPEAN COURT OF AUDITORS' REPORT ON THE PERFORMANCE OF THE EU BUDGET – STATUS AT THE END OF 2019**

### **“CHAPTER 1 – PERFORMANCE FRAMEWORK”**

#### **INTRODUCTION**

The Commission gives the highest priority to the performance of the EU spending and is committed to presenting high-quality performance information. The Commission welcomes the ECA's work on the performance of the EU budget and its recognition of the improvements that the Commission has made in its performance reporting on the EU budget. The Commission will continue refining the system in the future, including by implementing the recommendations in the areas for improvement identified by the ECA in this report. The strengthened and streamlined performance framework for the multiannual financial framework for the period 2021-2027 represents a key opportunity to achieve further progress based on the lessons learned.

Key examples of improvements made in recent years include the presentation of performance information in a more synthetic and reader-friendly document (Programme Performance Overview, PPO); the integration of the PPO as an annex of the Annual Management and Performance Report (AMPR), thereby linking the budgetary and discharge procedures; the systematic assessment of the performance of the programmes in the programme statements and PPO; and the fact that the reports have become more balanced, highlighting both successes and areas for improvement.

Chapters 2 to 6 of this report present the ECA's assessment of the performance of the nine selected spending programmes as at end-2019. The Commission considers that the programmes are contributing strongly to the delivery of the EU's priorities and objectives. The available qualitative and quantitative performance information at the end of 2019 shows that the programmes are progressing well towards the targets set at the beginning of the programming period. Implementation is accelerating, notably for the European Structural and Investment Funds, for which targets are set by 2023. Definitive conclusions in relation to the programmes performance will only be possible after the closure of the programmes, on the basis of final evaluations.

1.3 The Commission publishes many reports covering performance in general. The focus of most of the specific reports in figure 1.1 is the performance of the EU budget.

First bullet – Section 1 of the Annual Management and Performance Report provides a high-level overview of the performance of the EU budget, focusing on the key programmes.

This year, the report is supplemented by more detailed programme-by-programme performance information in the 'Programme performance overview' (Annex 1). The overview summarises the key performance messages from the programme statements accompanying the 2021 Draft Budget proposal.

First bullet – Section 2 on internal control and financial management reports on the Commission's action in ensuring the sound financial management of the EU budget.

Second bullet – The programme statements report on the performance of the spending programmes using both quantitative information from the performance indicators, and qualitative information. The qualitative information is key to understanding the performance of the programme, inter alia: the political and economic context, where the programme stands in the programme cycle, and the

identification of the elements outside the control of the Commission, which impact the performance of the programme.

1.4 Concerning Annex 1.1 on the follow-up of recommendation 5 issued in 2016, since 2017 the central services have included in the instructions for the Annual Activity Reports (AARs) the obligation for its services to disclose the sources of all performance data and to make an assessment of the reliability of these data. Data considered as unreliable should be discarded, except if the services consider them as necessary to provide some contextual elements. In such cases, for the sake of transparency, services should introduce a disclaimer regarding the quality of these performance data. As regards the programme statements, the Commission is committed to making further improvements as mentioned in the Commission's replies to this report.

Regarding Annex 1.1 on the follow-up of recommendation 6 issued in 2016, the Commission partially accepted the recommendation, even though its overall web presence had recently been reorganised into a portal structure, including webpages containing performance information.

The Commission implemented specific improvements to the online presentation of performance information<sup>1</sup>. These improvements concerned areas such as the reorganisation of the content for more user-friendly access to performance and results related documents, better descriptions of strategic and reporting documents, a better search function for long lists of performance documents, as well as improvements on the information architecture, labels, and links.

The actions taken reflect a sensible and responsible use of resources, taking into account the size of the target audience for performance information. The Commission's web presence and the information provided online are continually evolving, based on testing, user needs, organisational goals and technology.

## **PROCESS FOR PRODUCING HIGH-LEVEL PERFORMANCE REPORTS**

1.7 Third bullet – The programme statements for the 2014 Draft Budget, published in 2013, did not cover the performance of 2007-2013 programmes due to the switch from activity statements (covering the 2007-2013 period) to the programme statements (covering the 2014-2020 period).

1.11 The budget circular provides the Directorates-General with detailed explanations with regard to the operational steps for drafting the PPO (section 4.12). As mentioned in paragraph 1.6, the PPO provides a summary of the information provided in the programme statements, for which the budget circular gives detailed instructions. Moreover, the central services discuss the preparation of the PPO with the Commission services in the budget hearings for the preparation of the Draft Budget.

1.12 The selection criteria for indicators presented in the PPO are clearly set out in the methodological note:

- availability of data;
- relevance of the indicator in relation to the specific objectives and the actions of the programme.

---

<sup>1</sup> [https://ec.europa.eu/info/strategy\\_en](https://ec.europa.eu/info/strategy_en).



The difference in progress between the complete list of indicators from the programme statements and those indicators selected in the PPO varies across programmes (from negative to positive differences in some cases).

The PPO only includes indicators for which the necessary data are available to calculate their progress to target. This requirement explains part of the difference in the calculation of the share of indicators that are 'on track' between the programme statements and the PPO.

1.14 The Commission acknowledges the importance of solid and reliable performance information and is committed to presenting high-quality performance information.

While the Commission is not in a position to fully control or guarantee the reliability of performance information, it has taken steps to mitigate the related risks.

1.15 Data presented in the different performance reports are based on the latest available information at the time of reporting. When updated figures become available, reflecting inter alia time lags in the collection of data in the Member States or by other third parties, these figures are reported in the next set of programme statements. Such updates are an inherent feature of data collection in a complex and rapidly evolving environment.

1.17 Based on Articles 20-22 of the Common Provisions Regulation (EU) 1303/2013, the performance reserve applied to the European Agricultural Fund for Rural Development (EAFRD) in the same way as to the other ESI Funds.

DG AGRI put emphasis on ensuring robustness and reliability of the milestone values and the related reporting. One year before the performance review, the process was explained in the Rural Development Committee. Furthermore, in close dialogue with the Member States, DG AGRI performed a thorough check of performance framework indicators and their reporting.

1.18 First bullet – The audit was conducted at an early stage of the implementation of the Common monitoring and evaluation framework (CMEF). After a follow up audit, the Internal Audit Service acknowledged the wide-ranging work done by DG AGRI on the preparation of the CAP 2021-2027 and the related Performance Monitoring and Evaluation Framework (PMEF) with positive spill-over effects on the current monitoring and reporting of the CAP 2014-2020.

Second bullet – The Commission points out that in response to the three recommendations issued by the IAS in its audit report on the performance monitoring, the audited Directorates-General prepared an action plan, which was accepted by the Commission's Internal Audit Service on 2 March 2020.

Two recommendations for Directorate-General REGIO (one very important and one important) were already reported as implemented to the Internal Audit Service in July 2020 and the third one (very important) will be fully implemented by the end of 2022, as planned in the action plan.

1.19 An ex-ante evaluation (or impact assessment) supports new financial programmes and instruments while a retrospective (ex-post) evaluation assesses the functioning of existing programmes and instruments (according to the Better regulation guidelines and toolbox - Tool #10 and Tool #43). Evaluation is an evidence-based assessment of the extent to which an existing intervention is effective, efficient, relevant given current needs, coherent both internally and with other EU interventions and has achieved EU added value. Ex-ante and ex-post evaluations assess the most significant impacts. The extent to which the impact of policy actions can be assessed depends on the timing and nature of the

evaluations as set out in the legal basis and often on the data provided by the Member States and other partners or organisations.

1.22 The Commission is committed to presenting high-quality performance information, to which significant attention is given in the instructions and the preparation of the performance reports. While the Commission is and will continue to be reliant on Member States and other parties for the provision of reliable and timely performance information, the Commission services are instructed to ensure that any reliability concerns are transparently reported.

1.23 Data that are considered unreliable are not included in the AMPR. As regards programme statements, the Commission is required to report on all performance indicators defined in the programme legislation. It is expected that data sources are identified and any reliability concerns are flagged, a requirement that will be covered more explicitly in the standing instructions for the budget circular in future.

### **QUALITY OF HIGH-LEVEL PERFORMANCE REPORTS**

1.24 The performance indicators included in the programme statements are defined in the underlying legislation. There are aspects of programme performance the indicators cannot capture, or capture partially, due to their inherent limitations. Nonetheless, the Commission considers in general that all the indicators are relevant for assessing the performance of the programmes.

Regulation (EU) 2018/1046 (Financial Regulation) requires the Commission to report in the programme statements on all indicators set out in the legal bases of the spending programmes as agreed by the European Parliament and the Council based on proposals made by the Commission.

1.25 In the programme statements and PPO for the Draft Budget 2021, the Commission has further improved the quality of the performance information, for example:

- in the calculation of the progress towards the target in the PPO, through the inclusion of baselines (when relevant); and
- using a more consistent approach in the use of formulas.

The Commission notes that account needs to be taken of feasibility and cost considerations as well as the fact that a corresponding commitment is required of in particular Member States and beneficiaries to submit high quality data on time.

First bullet – The output indicators have a direct link with the intervention, and therefore are key for monitoring the performance of the programme.

The appropriate mix of types of indicators (input output, result, impact) depends on the characteristics of the programme.

Second bullet – More performance information becomes available towards the end of the MFF 2014-2020 cycle, especially for result and impact indicators. The fact that the availability of performance information is more limited during the first years reflects the mix of different types of performance indicators. Not all indicators receive yearly updates due to data collection or other structural issues. This is a specificity of these indicators, rather than a quality issue. For the 2021 Draft Budget, only 1% of indicators do not have data available and 6% of indicators have information older than 2 years.

Third bullet – The Commission considers that there is a number of qualitative targets which can be translated into quantitative targets. This has been done, for instance, in the PPO for EAGF indicators. This approach results in a lower percentage of indicators for which it is not possible to calculate the progress to target.

Fourth bullet – For some programmes, e.g. under shared management, the revision of targets is a normal process, to respond to evolving socio-economic circumstances in the Member States, or to changes in the financial allocation.

As regards Table 1.6, the legal basis of Horizon 2020<sup>2</sup> specifies, for the first time in a Research and Innovation programme, a list of compulsory Key Performance Indicators for use in its evaluation and monitoring system. In 2015, a year after the start of the programme and in an effort to be as transparent as possible, the Commission published a comprehensive overview<sup>3</sup> of all Horizon 2020 indicators. It presented definitions, type and source of data required for their calculation, baseline values where available and targets set by the end of Horizon 2020 referring also to the time lag between the end of the programme and the delivery of projects' outputs and results.

The methodology to estimate baselines and targets for the performance indicators for the 2021-2027 MFF will be published alongside the list of new indicators.

1.26 The Commission considers these objectives to be interrelated and complementary. For example, climate related objectives established at international level are appropriately reflected in the Union's political priorities and in the objectives of spending programmes.

1.27 The Commission has a long-standing commitment towards promoting gender equality and more recently to the implementation of the Sustainable Development Goals (SDGs). Gender equality is supported by a variety of EU policies and instruments, while 45 out of the 60 spending programmes in the current programming period contribute to the SDGs. The programme statements have two dedicated sections for reporting on the programmes' contribution towards these priorities.

The Commission is constantly striving to reinforce its reporting. For the Draft Budget 2021, the SDG section was further strengthened to present illustrative examples on how each programme contributes to the relevant SDGs and demonstrate the policy coherence between the design of the EU budget and the SDGs.

In addition, as announced in the Commission's Gender Equality Strategy, the Commission is currently working on developing a system to track gender equality related expenditure at programme level.

Apart from the programme statements and AMPR, the Commission reports on these priorities also in other publications (e.g. Eurostat Monitoring report on SDGs, including SDG 5 on gender equality).

1.28 The Commission welcomes the positive assessment of the ECA on the inclusion of the PPO as an annex of the AMPR. The Commission considers that this improvement supports the link between the discharge and budgetary procedures.

---

<sup>2</sup> [https://ec.europa.eu/research/participants/data/ref/h2020/legal\\_basis/fp/h2020-eu-establact\\_en.pdf](https://ec.europa.eu/research/participants/data/ref/h2020/legal_basis/fp/h2020-eu-establact_en.pdf)

<sup>3</sup> [https://ec.europa.eu/research/participants/data/ref/h2020/legal\\_basis/fp/h2020-eu-establact\\_en.pdf](https://ec.europa.eu/research/participants/data/ref/h2020/legal_basis/fp/h2020-eu-establact_en.pdf)

1.30 First bullet – The sound financial management principles (effectiveness, efficiency and economy) are important aspects of financial management in the Commission. This is to a large extent reflected in both Section 1 and Section 2 of the Annual Management and Performance Report for the EU budget.

Effectiveness looks at the level of achievement of programme objectives and therefore is covered more prominently in the performance reports. Information on the economy and efficiency of programmes is not available on an annual basis. These aspects result to a large extent from the regulatory framework and are typically measured in the longer term.

1.32 The impact of external factors depends on the characteristics of the EU spending programme.

For instance, Horizon 2020 operates within a generally stable environment and it is less affected by external factors than other programmes. However, when it comes to crises such as the COVID-19 pandemic, research and innovation was among the first policy areas expected to react with a comprehensive approach. As stated in the programme statement for the Draft Budget 2021, Horizon 2020 has shown its ability to react quickly to the pandemic crisis by mobilising in total more than 1 billion EUR to develop diagnostics, treatments and vaccines.

1.34 The Commission welcomes the ECA's positive conclusion as regards the systematic introduction of the performance assessment sections, and it will continue seeking further improvements in performance reporting in the coming years.

1.35 The Commission notes that, depending on the programme concerned, it might be more relevant to focus the performance assessment section on the programme as a whole or on certain strands or pillars of a programme, which regroup a number of specific objectives.

In the case of Horizon 2020, the performance assessment section of the programme statement for the Draft Budget 2021 groups the analysis of programme performance by pillar (excellent science, industrial leadership, societal challenges). It also presents indicators and, depending on data availability, progress against targets and milestones on all 18 specific objectives.

The EAGF programme statement for the 2021 Draft Budget provides qualitative information for all three general objectives and for specific objectives 1, 2, 3 and 8, as well as quantitative information for all specific objectives.

The ENI programme statement for the Draft Budget 2021, includes an analysis of the latest performance indicator data in the section corresponding to each specific objective. The Commission also publishes comprehensive performance information through its annual report on the implementation of the EU's instruments for financing external action.

1.36 In general, the Commission considers that the information presented in the programme statements and PPO adequately reflects the instructions for the performance sections. Based on the lessons learned from this year's first exercise, the Commission will seek to further improve reporting, including on implementation challenges, in next year's programme statements and PPO. This concerns both the issue of providing an in-depth analysis of performance, with a clear and concise assessment, and the streamlining of the presentation of the information across the implementation and the performance assessment sections.

1.39 The Commission welcomes the ECA's conclusion that its reporting has become more balanced. The Commission considers that the AMPR and the Programme Performance Overview, which is now an integral part of the AMPR, present a balanced picture of performance across the programmes, with

examples of policy areas where further improvement can be made, also in terms of lessons learned in the Commission proposals for the next generation of programmes.

### **Box 1.5 - Examples of balanced reporting in programme statements and PPO**

In the case of Horizon 2020, the programme statement refers to the challenges that the programme is still facing, such as the need to improve in terms of market-creating innovation, closing the innovation gap and boosting industrial leadership. In addition, investment for climate action has not yet reached its target.

## **CONCLUSIONS AND RECOMMENDATIONS**

1.40 The Commission welcomes the ECA's conclusion that its performance reporting continues to improve. This includes the creation and subsequent integration of the PPO in the AMPR, the introduction of performance assessment sections in the programme statements and in the PPO, and the fact that the reports are becoming more balanced, including both positive and negative aspects.

The Commission will seek further improvements in next year's reports. In the first years of the new MFF period, the Commission will report on the most relevant indicators of the 2014-2020 period in the programme statements and the PPOs, along with full information on the 2021-2027 programmes, and the AMPR will include summary information.

1.42 The Commission will continue to rely on performance information provided by Member States and other partners or organisations and therefore it is not in a position to fully control or guarantee the reliability of performance information. The Commission, however, agrees on the importance of constantly improving the quality of the performance information included in the programme statements and the AMPR. The Commission is committed to presenting high-quality performance information, to which significant attention is given in the instructions and the preparation of the performance reports.

1.43. The Financial Regulation requires the Commission to report on all indicators set out in the legal bases of the spending programmes.

Not all indicators receive yearly updates due to data collection or other structural reasons. This is a specificity of these indicators, rather than a quality issue. More performance information becomes available towards the end of the MFF 2014-2020 cycle, especially for result and impact indicators.

This year the Commission continued improving the quality of the performance information, for example in the calculation of the progress towards the target in the PPO, through the inclusion of baselines (when relevant), and a more consistent approach in the use of formulas.

The Commission notes that account needs to be taken of feasibility and cost considerations as well as the fact that a corresponding commitment is required of in particular Member States and beneficiaries to submit high quality data on time.

1.45 The sound financial management principles (effectiveness, efficiency and economy) are covered in both Section 1 and Section 2 of the Annual Management and Performance Report for the EU budget.

Effectiveness looks at the level of achievement of programme objectives and therefore is covered more prominently in the performance reports. Information on the economy and efficiency of programmes is not available on an annual basis. These aspects result to a large extent from the regulatory framework and are typically measured in the longer term.

The objective of the annual performance reporting is not to provide a comprehensive and detailed assessment of each of the objectives and factors influencing the programme, but rather to provide an indication of the performance of the programme as a whole, with a warning in case certain aspects require special attention. In this context, analysis of external factors in the annual reporting should be proportionate.

Nonetheless, the Commission acknowledges the role played by external factors in influencing the overall programme performance. It recognises the need to ensure that quantitative analysis is complemented with the assessment of key qualitative aspects, depending on the characteristics of the programme concerned. With this in mind, the Commission will aim at including a more systematic analysis of external factors in the programme statements for the upcoming reporting cycle.

1.46 The Commission welcomes the ECA's recognition that the new performance assessment sections in the programme statements and PPO constitute a significant positive step forward towards clearer, more transparent and comprehensive performance reporting. The Commission is committed to continuously improving the quality of its reporting. The lessons learned from this year will allow the Commission to improve this section in the coming years.

1.47 The Commission welcomes the ECA's conclusion that its reporting has become more balanced. The Commission will continue seeking improvements in next year's reports and it will adapt the budget circular on the basis of the lessons learned from this year.

**Recommendation 1:** The Commission accepts recommendation 1.

The Commission intends to continue providing information on the completion of the 2014-2020 programmes, taking into account the year for which the final targets of the programmes are set (in many cases: 2023). The bulk of the payments for the completion of the 2014-2020 programmes will have been made by then. The Commission will discontinue reporting as soon as related information is no longer useful. The Commission will also report on the results of the final evaluations of the 2014-2020 programmes.

**Recommendation 2:** The Commission accepts recommendation 2.

The Commission is committed to presenting high-quality performance information, to which significant attention is given in the instructions and the preparation of the performance reports. The Commission is open to strengthening the reliability and quality of the information provided, where possible and to clearly indicate any issues in relation to the reliability of the information presented in the programme statements and the AMPR. The MFF 2021-27 will allow the Commission to continue making progress in this respect. However, it is not in a position to fully control or guarantee the reliability of performance information provided by others.

**Recommendation 3:** The Commission accepts recommendation 3.

The Commission notes the importance of the RSB scrutiny to improve the quality of the selected evaluations, and the significant role that the dissemination of lessons learnt from the RSB scrutiny has for all evaluations, to avoid possible flaws in the initial methodological design. The Commission will support this dissemination by continuing to organise trainings and provide internal guidance, alongside the RSB's own outreach activities.

**Recommendation 4:** The Commission accepts recommendation 4.



The Commission will improve the transparency and quality of the performance reporting for the MFF 2021-27 indicators informing inter alia of the sources of the underlying data and the methodology used to define the targets. This information will be included in the set of documents for the Draft Budget 2022.

**Recommendation 5:** The Commission remains committed to presenting high-quality performance information. It will continue to seek further improvements in the coming years through the instructions and the preparation of the performance reports.

a) The Commission accepts recommendation 5 (a).

Information on the economy and efficiency of programmes is not available on an annual basis. These aspects result to a large extent from the regulatory framework and are typically measured in the longer term.

The Commission will strengthen reporting on efficiency and economy, when the information becomes available. Such information is included, for example, in both Section 1 and Section 2 of the Annual Management and Performance Report for the EU budget.

b) The Commission accepts recommendation 5 (b).

The Commission acknowledges the role played by external factors in influencing the overall programme performance. It recognises the need to ensure that quantitative analysis is complemented with the assessment of key qualitative aspects, including external factors, depending on the characteristics of the programme concerned.

The objective of annual performance reporting is to provide an indication of the performance of the programme as a whole. As part of this, the Commission will aim at including in the programme statements for the upcoming reporting cycle a more systematic analysis of significant external factors which may affect the performance of programmes, to the extent that this is relevant and the data are available.

c) The Commission accepts recommendation 5 (c).

The Commission provides assessments of the performance of the programmes in the programme statements and PPOs.

Moreover, in the programme statements for the Draft Budget 2022 the Commission intends to systematically report on whether performance indicators are on track to meet their targets.

d) The Commission accepts recommendation 5 (d).

The Commission is committed to constantly improving the quality of the performance reporting. This year (Draft Budget 2021) was the first time that the programme statements and PPO included a specific section on performance assessment. Based on the lessons learned from this year, the Commission will provide more specific instructions and include good practices in the budget circular for the following years, so as to further improve the quality of the performance assessment section.

## REPLIES OF THE COMMISSION TO THE EUROPEAN COURT OF AUDITORS' REPORT ON THE PERFORMANCE OF THE EU BUDGET – STATUS AT THE END OF 2019

### “CHAPTER 2 – COMPETITIVENESS FOR GROWTH AND JOBS”

#### INTRODUCTION HORIZON 2020

For over 35 years, the EU intervention through the successive EU Research & Innovation Framework Programmes has come into play when more needed to be done at EU scale than the national or regional scales alone. They allow sharing the risks and avoiding duplication of efforts across countries by pooling and leveraging resources towards a critical mass. This to deliver better, faster or more efficiently on common objectives. They focus on supporting collaboration and excellence-based competition across countries - overcoming geographic, sectoral or disciplinary boundaries.

Research and innovation projects are long-term endeavours, based on multiple trial and error processes, and generating concrete outcomes often only after 15-20 years, which often deviate from the initial ideas and expectations. The performance of these investments has therefore to be measured in a manner and with a timing that does not discourage non-oriented research, risk taking nor innovative behaviours. The analysis of indicators on the outputs, results or impacts of these investments has therefore to be contextualised with qualitative information.

Horizon 2020 is an attractive and well performing programme, well aligned internally and highly relevant to identified needs and challenges, bringing about distinct EU added value through its excellence-based, cross border collaborative and mobility actions. Owing to its attractiveness and appeal to the scientific community, the programme suffers from heavy over-subscription.

Horizon Europe aims at further simplification by relying more on lump sum funding introducing a rationalized and easier to understand landscape of European partnerships involving Member States, industry, civil society and funding foundations. The proposed Cohesion policy rules under the new MFF provide for specific rules on the transfer of funds between EU funding programmes thereby reinforcing synergies between inter alia Horizon Europe and the Cohesion policy Funds. Finally, Horizon Europe will feature a new impact monitoring and reporting framework based on clearly defined Key Impact Pathways and a revised set of appropriate indicators, methodologies and baseline values.

#### HORIZON 2020

2.12 The Commission notes that the selected indicators are context indicators and therefore only indicative of the programme's indirect impact to the general objective and do not measure the outcome of Horizon 2020 as such. The Commission notes the relevance of Horizon 2020 in pursuing Europe 2020 R&D target. It recalls, however, that H2020 represents less than 10% of overall public investments in R&D in the EU. Therefore, the attainment of this target would require, first and foremost, reinforced public and private investments at national and regional level.

**Figure 2.4 -** The Commission considers that in general all the performance indicators included in the programme statements are relevant to the programme objectives.

Setting targets at the start of the MFF period has the inherent risk that, over the lifetime of the programme, the targets become easier or more difficult to reach. This could be due to factors under the responsibility of the Commission, Member States, other partners and organisations, or to external factors.

Indicators by themselves do not necessarily reflect the attainment of programme objectives.



Therefore the fact that an indicator is (or is not) ‘on track’ to meet its target does not necessarily mean that the programme itself is (or is not) ‘on track’ to meet its objectives.

The indicator data should always be analysed in conjunction with other quantitative and qualitative information in order to assess the performance of the programme.

**Figure 2.5** - The Commission notes that the three selected indicators are only indicative of the programme’s indirect impact on the general objective.

2.13 The Commission will assess target values of indicators against achievements a few years after 2020, when most of the funded actions have been completed. Depending on the indicator, interim project results are not always reported properly or on time and therefore do not count against set milestones or targets.

2.14 The Commission notes that simplification and the delegation of implementation tasks to the executive agencies contributed to increased efficiency of the programme.

### **Box 2.1 - Our view on Horizon 2020’s simplification measures**

In the Commission’s view, the positive findings in the ECA’s report is a testament to the Commission’s continuous simplification efforts. In concert with the ECA’s recommendation to go further on simplification, the Commission has set-up the Horizon 2020 lump-sum pilot exercise and organised communication campaigns in various formats and content targeting specific audiences such as SMEs and newcomers that seem to be more prone to errors when submitting cost claims. Horizon Europe, the new Framework Programme for the period 2021-27, will go further with new initiatives like, for example, a broader acceptance of commonly used cost accounting practices and increased use of simplified forms of grants based on the experience and lessons learned from the Horizon 2020 lump sum pilot exercise. At the same time, continuity and consistency for beneficiaries is ensured by maintaining the single set of rules principle and the proven Horizon 2020 funding model.

2.15 The Commission concurs with the view that the programme’s strong focus on collaborative, cross-border research and innovation provide distinct EU added value.

2.16 The Commission has regularly reported on the difficulties, and lost opportunities, that this situation entails. The Commission regrets the low success rate for proposals which is due, in part, to the decrease in national public investments for Research and Innovation in a number of Member States. At the same time, oversubscription and the strong competition for grants is a way to achieve excellence, ensuring the high quality of the selected projects, and a proof of the Programme’s attractiveness.

2.17 The Seal of Excellence was a first attempt to create concrete synergies between Horizon 2020 and the Funds<sup>1</sup>. The Commission recalls that recognition of the “Seal of Excellence” is at the discretion of the national and regional authorities. The Commission has no right, and no intention, to enforce such recognition, although it uses every opportunity to promote its use. While the initiative has had a certain level of success, the Commission accepts that the impact has been limited. However, it will facilitate synergies between Horizon Europe and the Funds, subject to the future Common Provisions Regulation.

---

<sup>1</sup> The ESI Funds are : the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF)

2.18 The Commission agrees with the view that the programme's three-pillar structure benefits coherence between actions within the programme. The issues identified in the interim evaluation of Horizon 2020 led, in particular, to Horizon Europe's rationalized and easier to understand landscape of European Partnerships, involving Member States, industry, civil society and funding foundations<sup>2</sup>. In addition, the proposed Cohesion policy rules under the new MFF provide for specific rules for the transfer of funds between EU funding programmes and instruments (for example from ERDF or ESF+ to Horizon Europe and vice versa), thereby reinforcing synergies between EU programmes.

2.19 With only a small fraction of Horizon 2020 projects concluded, it is difficult at this stage to present comprehensive information on the effectiveness of the Programme. This will happen progressively over the coming years. The Commission notes that the limited available Horizon 2020 output already indicates progress towards reaching the programme's objectives. A more complete assessment of effectiveness will take place under the ex-post evaluation of Horizon 2020, planned for 2023, which will include long-term effects of its predecessor FP7, based on quantitative and qualitative analysis.

2.25 The Commission agrees that the target set for the number of patent applications, based on interim FP7 data, may have been over-estimated. Even though the indicator on the number of patents awarded is a better measure for performance, complete data on Horizon 2020 will only become available several years following its completion. For example, the European patent grant procedure takes about three to five years from the date the application is filed. Work is ongoing to improve data collection for Horizon Europe, based on IT developments and a reinforced approach to reporting on dissemination and exploitation.

2.26 The Commission recalls that in the absence of any relevant data, the setting of target value or milestones for this indicator was not possible. However, by systematically collecting relevant data, the Commission will be in a position to set proper milestones and target value for Horizon Europe.

2.27 The Commission notes that actions under industrial leadership are characterised by good market orientation and are popular among applicants, including SMEs. Regarding SME's, the Commission recalls that the share of Horizon 2020 funding allocated to SMEs reached 24.74% by the end of 2019, exceeding the 20% target set for the year 2020 and being considerably higher than the respective FP7 share of 17%. Barriers in the application phase did not prevent this significant increase in SME participation rates attributed to the considerable efforts to attract SMEs to the programme and the simplifications made to facilitate their participation. The Commission is conscious of still existing burdens faced by the SMEs in implementing projects and continuously addresses these issues by organising targeted communication campaigns.

2.28 The Commission notes that large-scale projects funded by the industrial leadership actions bring about a distinct EU added value.

2.29 The Commission confirms that the targets are set for the whole Societal Challenges pillar and their attainment can only be assessed upon completion of all actions funded under this pillar. The

---

<sup>2</sup> SWD(2018), 307 final, section 3.2

presentation of actual values per individual specific objective has been done solely for information purposes. The Commission will consider how to improve this presentation in the future.

2.33 The Commission welcomes the observation that all assessed projects fit the programme's objective and the applicable work-programme. In addition to reporting by specific objective, the Commission is developing a user-defined portfolio reporting system where projects are grouped according to their portfolio relevance and aggregated results and output are presented accordingly. In this way, the Commission will be in a position to properly report on the Union's contribution not only to each of the programme's specific objectives but, also, to areas of research that span more than one specific objective.

2.34 Research and Innovation projects in most of the cases achieve the expected outputs and results. Nevertheless, they are, by nature, risky and uncertain. There is a project monitoring process in place to assess the progress of the projects and to take appropriate action if required. However, it is not always possible to guarantee in advance that scientific and technological objectives can be achieved.

2.35 The Commission welcomes ECA's acknowledgment that in the area of research and innovation there is, by nature, a considerable time-lag between funding of projects, delivery of results and impact evaluation. Target values of indicators can only be assessed a few years after 2020, upon completion of most of the funded actions. The Horizon 2020 ex-post evaluation, planned for 2023, will carry out a complete assessment of the programme's performance including an analysis of the FP7 long-term effects. While the Commission accepts the observed limitations of some performance indicators, it would like to recall that interim data and results on implementation and performance of the programme are available online and updated in near real time along with published periodic analyses of key aspects of Horizon 2020.

2.36 The Commission welcomes the ECA's conclusion that there are no indications that performance is at risk and that examples of successful projects are plentiful. It also agrees with the ECA's view that Horizon 2020's budget is insufficient to cover oversubscription. At the same time, oversubscription and the strong competition for grants is a way to achieve excellence, ensuring the high quality of the selected projects, and a proof of the programme's attractiveness. Regarding the programme's efficiency, the Commission recalls that simplification and the delegation of implementation tasks to the executive agencies contributed to increased efficiency of the programme.

2.37 The Commission welcomes the ECA's conclusions regarding the programme's relevance, coherence and EU added value. As regards coherence, the issues identified in the interim evaluation of Horizon 2020 led, in particular, to Horizon Europe's rationalised and easier to understand landscape of European Partnerships, involving Member States, industry, civil society and funding foundations. In addition, the proposed Cohesion policy rules under the new MFF provide for specific rules on the transfer of funds between EU funding programmes and instruments thereby reinforcing synergies between EU programmes.

2.38 The Annual Management and Performance report is a high-level summary report of how the EU budget has supported the European Union's political priorities and the key results achieved with the EU budget. In its effort to improve the presentation of performance relating to EU spending programmes, the Commission presents in annex the Programme Performance Overview, which

summarizes the key performance messages from the programme statement. The latter presents a more detailed information on performance.

## INTRODUCTION EUROPEAN FUND FOR STRATEGIC INVESTMENTS

Stimulating investment and creating jobs is one of the top priorities of the Commission. Since the global economic and financial crisis, the EU has been suffering from consistently low levels of investment. In particular, by 2014 investment had fallen significantly below its long-term historical average. As a response to the subdued investment levels, the Commission launched in November 2014 the Investment Plan for Europe.

European Fund for Strategic Investments (EFSI) is a demand-driven instrument offering repayable support to final recipients. Consequently, its performance depends largely on the market conditions and existing market failures related to investment financing. Therefore, EFSI performance is measured through assessment of the achievement of its main objectives and targets as provided by the EFSI Regulation.

By July 2020, EFSI has successfully helped address the gap in investments by mobilising EUR 524.4 billion in the EU<sup>3</sup>. Based on approved projects, EFSI has thus surpassed the target before the end of its investment period. EFSI has also attained all other key objectives. It has supported investments in all EU Member States and in all priority areas. EFSI has increased access to financing for more than 1.4 million SMEs. Moreover, more than 40% of investments under the Infrastructure and Innovation Window are dedicated to climate action, meeting the EFSI 2.0 climate target.

The unprecedented economic crisis caused by COVID-19 pandemic highlights the importance of EU financing and investment support. Efforts need to continue to bring investment back to its long-term sustainable trend and most importantly to address the economic turmoil caused by the pandemic. Therefore, the Commission has proposed, among other initiatives, to continue with an investment support programme in the next Multiannual Financial Framework, i.e. the InvestEU Programme.

## EUROPEAN FUND FOR STRATEGIC INVESTMENTS

2.49 The indicator “The share of EFSI Financing under the IIW that supports project components that contribute to climate action” could also be considered as a result indicator as it is calculated based on the amount of actual project costs that support climate action. Given that under EFSI the investment mobilised is estimated on the basis of project costs, the indicator measures concrete investment expected to be realised in climate action activities as a proportion of total investment expected.

In addition, the indicator on the number of projects published on the European Investment Project Portal (EIPP) could also be considered as a result indicator. According to the EFSI Regulation, the EIPP objective should “primarily be for the purpose of visibility to investors and for information purposes”. The publication of a project on the Portal provides visibility to this project for potential investors worldwide.

**Figure 2.11** - The Commission considers that in general all the performance indicators included in the programme statements are relevant to the programme objectives.

Setting targets at the start of the MFF period has the inherent risk that, over the lifetime of the programme, the targets become easier or more difficult to reach. This could be due to factors under the responsibility of the Commission, Member States, other partners and organisations, or to external factors.

---

<sup>3</sup> Source: EIB monthly reporting on EFSI results. The most recent available data are as of 15 July 2020.

Indicators by themselves do not necessarily reflect the attainment of programme objectives.

Therefore the fact that an indicator is (or is not) ‘on track’ to meet its target does not necessarily mean that the programme itself is (or is not) ‘on track’ to meet its objectives.

The indicator data should always be analysed in conjunction with other quantitative and qualitative information in order to assess the performance of the programme.

2.50 Risk-level is part of additionality criteria and applies at overall portfolio level. An indicator of the “higher risk” of EFSI operations is already available in the EIB reports to the Commission in line with the EFSI regulation, through the indication of the share of EIB special activities. [As acknowledged by the ECA in points 2.57 and 2.58, the higher risk profile of projects has been documented – inter alia – by the EIB EFSI report 2019 and the Commission independent evaluation.

EFSI is demand driven and penetration of key areas is continuously monitored. However, it is not possible to set sectoral targets as this is not consistent with a demand driven nature of EFSI.

2.52 The aim of indicators is to track progress toward set targets. The fact that a target was attained does not mean that the indicator has less value. A rapid EU-wide coverage shows the programme’s efficient geographic uptake.

2.55 The intention of the EFSI Multiplier Methodology is to measure the investment mobilised of the operation in full rather than attributing it solely to EFSI.

The Investment Mobilised reflects the best estimate at approval of the expected investment in the real economy with actual amounts revised at project completion. Hence, by definition, the ex-ante Investment Mobilised is an estimate at approval, not an over or under-statement.

The EFSI multiplier calculation methodologies foresee that any double counting is eliminated as soon as identified and that, at approval, only incremental investment mobilised is accounted for. In the cases that were reviewed by the ECA in the 2019 EFSI audit, it was confirmed that the EIB adjusted the double counting as soon as the information became available in line with the methodology.

2.59 ECA refers to the more strictly defined finding using criteria that go beyond the provisions of the EFSI Regulation. Case studies in the EIB 2018 evaluation provided examples of unique financial inputs compared to what would be available on the market as well as to what the EIB could provide in the absence of EFSI: innovative products such as quasi-equity, hybrid loans, risk-sharing arrangements, and debt instruments with very long tenors.

2.69 The risk level is part of EFSI additionality criteria and applies at overall portfolio level as explained in the reply to point 2.50. An indicator of the “higher risk” of EFSI operations is already available in the EIB reports to the Commission through the indication of the share of EIB special activities.

EFSI is demand driven and the penetration of key areas, while continuously monitored, remains largely outside of Commission and EIB control. However, progress and an array of dedicated initiatives have been documented.

## **REPLIES OF THE COMMISSION TO THE EUROPEAN COURT OF AUDITORS’ REPORT ON THE PERFORMANCE OF THE EU BUDGET – STATUS AT THE END OF 2019**

### **“CHAPTER 3 – ECONOMIC, SOCIAL AND TERRITORIAL COHESION”**

#### **INTRODUCTION**

The Commission welcomes the audit of the European Court of Auditors on the performance reporting of ERDF and the Cohesion Fund. The focus of the 2014-2020 programmes on performance and intervention logic as well the wider use of fund specific common indicators compared to the 2007-2013 programming period has led to more robust and coherent performance reporting on the investment actions and outputs. The more extensive use of EU common indicators for 2014-2020 has significantly improved the information on performance available at the EU level. The programmes’ annual implementation reports are a considerably improved source of performance information. While progress varies among Member States and operational programmes, the performance data reflecting the situation at end-2018 show some important achievements:

- support to over 400,000 enterprises, more than double compared to the end-2017 level;
- over 100,000 new jobs created compared to 40,000 until 2017;
- more than 170,000 households with improved energy consumption, doubling the number reached cumulatively over the four previous years;
- 27.5 million people benefiting from improved health services, over 10 million more than by end-2017.

To take account of the performance of ERDF and Cohesion Fund several particular elements have to be taken into account. ERDF and Cohesion Fund resources are committed for the years 2014-2020, but costs are eligible until the end of 2023. As such, the ERDF and the Cohesion Fund have a 10 years implementation period. There is always a time lag for long-term investment policies between programming, selection of operations, implementation and results to materialise. The late adoption of the 2014-2020 legislative framework for cohesion policy by the co-legislators added to the delay in implementation. Past evidence shows that the bulk of tangible achievements takes place only in the second half of the programming cycle. This follows closely the progress of financial implementation, which tends to be slow in the early years of the implementation period with significant acceleration afterwards. This is confirmed across a number of performance indicators for both the ERDF and the Cohesion Fund, where 2018 indicator values show a steep increase compared to the cumulative 2014-2017 achievements.

Findings relating to the previous programming periods that reflect on the specific programmes analysed can point to issues to be re-examined in the 2014-2020 period. They do not necessarily reflect the performance of the current programming period.

While the overarching strategic objective of cohesion policy is to reduce territorial, economic and social disparities within and among Member States, the more than 300 national and regional operational programmes financed under ERDF and Cohesion Fund are investing in a wide variety of actions tailored to the regions’ particular development needs. The indicators used to set targets and report performance are adapted to the particular actions financed by the operational programmes. In its high-level reporting on performance the Commission focuses on the common indicators that are used by multiple programmes, aggregated at EU level. The common indicators cover an estimated 50-60% of the actions funded. The programme specific indicators, which are equally relevant for assessing the performance of the Funds at national and regional level, while not used in the Commission’s high-level



reporting, serve to monitor specific programme's performance in line with specific regional needs. The Commission's performance assessment takes into account all the indicator achievements reported by operational programmes.

In the Commission's view, the monitoring data available suggests that beyond the important tangible achievements so far the implementation progress of the Funds shows good prospects to reach the objectives set. The preliminary findings on the impacts of interventions funded under 2014-2020 programmes, drawn on the basis of the most reliable evaluations carried out by Member States<sup>1</sup>, point to positive results and offer recommendations to develop the interventions in order to consolidate and extend their benefits.

### THE ERDF AND THE CF

3.13 Evaluation and audit work conducted on previous programming periods reflects on the specific programmes analysed. It does not necessarily reflect the performance of the current programming period.

The extent to which the impact of policy actions can be assessed depends on the timing and nature of the evaluations, which are set out in the legal basis and often on the data availability and quality as provided by the Member States and other partners or organisations. The assessment of the impact of the programmes invariably involves important time considerations to allow impacts to materialise. An earlier timing of the evaluations would entail substantial limitations in terms of results and/or impacts not materialised yet.

The Commission considers that the timing of the evaluations is balanced appropriately, in order to properly assess the impact of cohesion policy funding. Interim evaluations, as provided for in the Commission's post-2020 CPR proposal, not only provide input in the second part of the programming period, but also inform the impact assessment of the legislative proposals for the following programming period.

3.14. The 2007-2013 ex-post evaluation was limited by the weak objective setting, monitoring data and the limited national impact evaluations. These elements were reinforced for the 2014-2020 period with clearer and more focussed objective setting in the programmes, reinforced intervention logic, wider use of common indicators and the compulsory impact evaluation of each priority axis at least once during the programming period.

Cohesion policy does contribute to the objectives of sectorial policy fields only as far as it is in line with its own objectives. Nevertheless, the 2007-2013 ex post evaluation included *inter alia* thematic work packages, which looked into the contribution of cohesion policy to the sectors concerned. It also looked into the relationship between cohesion policy interventions and Europe 2020.

3.15 The CPR proposal for the period 2021-2027 provides for a mid-term evaluation by the Commission of each fund by the end of 2024.

3.16 See Commission reply to paragraph 3.13.

(1) The Commission appreciates that the ECA recognises the relevance of these factors (rate of financial implementation, non-linear progression towards indicator targets in time) for performance

---

<sup>1</sup> Commission SWD(2019) 445 final "Synthesis of the findings of the evaluations of European Structural and Investment Funds Programmes" of 17.12.2019.



assessment. It leads the Commission to reflect on the achievements, in particular the paragraphs on indicator assessments (3.20, 3.26, 3.34, 3.42, 3.54 of this report), in a more positive way - especially taking into account the rate of financial progress of the operational programmes.

3.19 See Commission reply to paragraph 3.16 (1).

3.20 The Commission considers that most of the indicators are on track of achieving their targets. The monitoring data available suggest that the indicator achievements closely follow the level of expenditure of the co-financed operations. Furthermore, the indicator values of the selected operations demonstrate that many programmes are on track to reach their targets since the necessary project pipeline exists for delivering the agreed results in the remaining five years of implementation (i.e. until 2023).

Figure 3.4:

The Commission considers that in general all the performance indicators included in the programme statements are relevant to the programme objectives.

Setting targets at the start of the MFF period has the inherent risk that, over the lifetime of the programme, the targets become easier or more difficult to reach. This could be due to factors under the responsibility of the Commission, Member States, other partners and organisations, or to external factors.

Indicators by themselves do not necessarily reflect the attainment of programme objectives.

Therefore the fact that an indicator is (or is not) 'on track' to meet its target does not necessarily mean that the programme itself is (or is not) 'on track' to meet its objectives.

3.21 The source of the indicator data associated with the specific objectives is the operational programmes. These indicator targets, as integral part of the operational programmes can be modified pursuant to Article 30 CPR, upon approval by the Commission. The main reasons for changing the indicator targets are (1) changes in financial allocation (2) changes in socio-economic conditions and (3) use of wrong assumptions when setting the targets initially.

3.22 Forecasts are based on decided projects. As achievement of output targets is not linear over time, the information on decided projects is an important source of information on the reliability of target values and the likelihood of target achievement.

3.26 The monitoring data available suggest that the 2018 achievement rates closely correlate with the financial implementation rate at end-2018 (19% for both ERDF and CF) in the case of three indicators. Furthermore, the expected outputs of selected projects show reassuring values for achieving the targets.

3.28 The Commission considers that it is the COVID-19 pandemic that puts at risk the achievement of the initial objectives set by the operational programmes. In order to allow cohesion policy to respond to the immediate negative impacts of the crisis on the health sector and the economy (crisis response) the programmes have the possibility to adjust and re-orientate their programmes' objectives. The objectives set in in terms of indicator targets significantly depend on the amount of support allocated to the relevant actions. In case of financial reallocations triggered by the COVID-19 outbreak and facilitated by the CRII(+) (Regulation (EU) 2020/558) the indicator targets are adjusted accordingly.

3.29 The Commission considers that cost-effectiveness can be best addressed by evaluations because beyond comparing the inputs and outputs, the different types of actions, the different target groups and

the specific development needs of the regions concerned have to be also considered.

3.31 Cohesion policy does contribute to objectives of sectorial policy fields only as far as it is in line with its own objectives. The challenges remaining to be addressed in these policy fields are not attributable to ERDF/CF performance only.

In relation to the 2020 energy efficiency targets, in its Communication COM(2019) 285 Final the Commission observed that the EU 2020 targets are at risk as a result of increased energy consumption in recent years. The Commission recommended to all Member States whose contributions are assessed as not sufficient at the time of the assessment to review them and consider increasing the level of ambition.

In relation to the 2020 targets for the renewable energy, the Commission notes that by 2017, half of the Member States had either already reached or were close to reaching their 2020 targets. For the other Member States, attaining the national targets will require further effort. The Commission is monitoring the progress related to the development of renewables and is in close contact with the Member States. A mobilisation of efforts is on-going.

3.32 Climate change is one of today's greatest challenges and the EU has the ambition to address it. In the State of the Union the president of the Commission announced tougher CO<sub>2</sub> emission targets for 2030, shifting the goal from a 40 per cent decrease compared to 1990 levels, to at least a 55 per cent fall. To make this happen, the Commission will revise all EU climate and energy related legislation by next summer.

3.34 The monitoring data available suggest that from the six remaining indicators for two the 2018 achievement rates are in line with the financial implementation rate at end 2018 (34% for both ERDF and CF). For another two indicators significant progress was made compared to the previous year. For five of these six indicators the expected outputs of selected projects show reassuring values for achieving the targets.

3.36 See Commission reply to paragraph 3.31.

3.37 See also Commission reply to paragraph 3.31.

3.38 The same evaluation also concluded that while such projects are primarily a response to environmental needs, they generate wider benefits and affect economic development and quality of life, by allowing for the efficient and sustainable management of natural resources and providing basic environmental services to previously unserved areas.

**Box 3.2** Examples of weak performance orientation in EU co-financed environmental projects or programmes

With regard to the flood risk management plans the Commission notes that in the 2014-2020 period the ERDF and CF make a limited contribution to their implementation.

3.40 The finding from 2018 is overtaken today.

For example, the municipality of Sofia is the beneficiary of two measures under operational programme environment 2014-2020 which target air quality issues from domestic heating.

3.43 In the 2014-2020 period result indicators under ERDF and CF operational programme measure socio-economic impacts of the interventions, measured by statistical indicators, to which the co-

financed interventions and external factors make a contribution. The Commission has no obligation to collect project level information of e.g. direct results of operations.

The Transport Flagship Infrastructure (TFI) projects are major infrastructure projects, lasting over several decades, none of which has been finalised to date. For the projects under direct management, the Commission will use the measurement of impact and results when performing the ex-post evaluation of the programme. In the current phase, where the projects are being deployed, such indicators cannot be used for the technical supervision of the projects or for the timely disbursement of EU co-funding.

3.47 The completion of the trans-European transport network is a high priority for the Union which is supporting the Member States in this task.

The Commission notes that good progress has been achieved towards the completion of the TEN-T core network, thanks to the work of Member States and infrastructure managers, together with the support of the Commission. Having set a common 2030 deadline for all Member States has proven to create a momentum, leading in many cases Member States to plan their works accordingly.

Common Commission Reply to §3.48-3.49

The Commission considers that the TEN-T framework, the EU financial support and its political interventions were major drivers enabling the cross-border projects considered in the TFI report to be realised. These complex and challenging projects need a continuous cooperation between Member States and significant involvement of European coordinators.

The Commission acknowledges that long development and implementation times is a feature of major infrastructure projects, and in particular cross-border projects. The Commission underlines that the cross-border projects are on their way to be realised by 2030, a view that is also shared by the Member States concerned. Further efforts are needed. The Commission will continue to engage closely with the relevant parties. It has planned to propose a revision of the TEN-T regulation in 2021.

Cohesion policy funding is focussed on the specific development needs of the regions concerned, to best contribute to cohesion policy objectives. According to the Commission, consideration needs to be given to the appropriate balance between TEN-T projects and those aimed at meeting local and regional needs.

See also Commission reply to paragraph 3.31.

3.51 The Commission does not recognise the description of an increased risk in relation to such co-financed investments no longer being approved through a major project procedure. Major projects are not part of the on-going negotiations on the 2021-2027 cohesion policy regulations. Programme authorities will still have to ensure that all project selection criteria are correctly applied and, in particular, that selected operations present the best relationship between the amount of support, the activities undertaken and the achievement of objectives. In some cases, this may involve undertaking cost-benefit analysis in line with international best practice and national specific regulations. The Commission will continue to encourage Member States to further improve (including simplifying) the economic appraisal of projects so that the best value for money can be ensured.

3.52 The Commission does not share the ECA's views on sustainability in the TFI audit. The lines in question are mixed lines (passenger and freight). In addition, this assessment does not sufficiently take into account the network effect of the 'TFIs'. Indeed, such 'TFIs' are strategic segments of longer corridors and traffic will be originated also further away than the physical location of the project.

3.56 The findings of this evaluation relate to the previous programming period and do not necessarily reflect the situation during the current period.

At this time there is no evaluation available for the current programming period.

3.57 See Commission reply to paragraph 3.13.

The Commission considers that the new elements in the approach to programming in 2014-2020 such as clearer and more focussed objective setting, ex-ante conditionalities, links to the EU economic governance and improved monitoring were introduced in view of enhancing the strategic orientation of the programmes.

## Conclusions

3.62 Considering the underlying financial implementation achievement, the Commission considers that most of the indicators are on track of achieving their targets. The indicator values of the selected operations demonstrate that many programmes are on track in reaching their targets since the necessary project pipeline exists for delivering the agreed results in the remaining five years of implementation.

3.63 Cohesion policy does contribute to objectives of sectorial policy fields only as far as it is in line with its own objectives. The challenges remaining to be addressed in these policy fields are not attributable to ERDF/CF performance only.

3.65 The indicators reported by the Commission clearly express the contribution of ERDF and CF to the general and specific objectives. Assessing the contribution of cohesion policy interventions to the general and specific objectives, and disentangling them from external factors is a task for evaluation.

The achievements (outputs) are reported by Member States per operational programme on an annual basis, whereas evaluation results (especially those assessing impacts) are scarce in the first half of the programming period, for the simple reason that not enough evidence accumulates that would form a robust basis for evaluation.

Result indicators have become a prominent element of the operational programmes in the 2014-2020 programming period. It was one of the novelties compared to the 2007-2013 period. They provide very useful material for evaluations, in particular at national level.

As far as the Open Data Platform is concerned, its recognition could be witnessed inter alia by the first ever Ombudsman award for open public administration received in 2017.

3.66 The Commission is closely monitoring the implementation of operational programmes and provides assistance to Member States when necessary. Monitoring data available shows that the project selection rate is at comparable level to the 2007-2013 programming period, which suggests that implementation on the ground is progressing at similar pace as in the previous programming period.

The Commission notes that budget implementation is accelerating, as shown for instance by the amending budget 8/2020, which responds to the additional payment needs for cohesion following the adoption of the Corona Response Investment Initiative Plus (CRII+).

The Commission is committed to reviewing performance and regularity towards the end of the programming period and to performing regular audits on the legality and regularity of expenditure.

## REPLIES OF THE COMMISSION TO THE EUROPEAN COURT OF AUDITORS' REPORT ON THE PERFORMANCE OF THE EU BUDGET – STATUS AT THE END OF 2019

### “CHAPTER 4 – NATURAL RESOURCES”

#### INTRODUCTION

Since its inception in 1962, the common agricultural policy (CAP), the EU's oldest common policy, has evolved constantly to meet explicit Treaty objectives relating to agricultural productivity, the farm community's standard of living, market stability and the availability/price of supply.

CAP support contributes to the EU farm sector's response to public demand for food security, safety, quality and sustainability in a highly integrated single market. In a context of growing global pressure on natural resources, the CAP has guaranteed food security for a population of some 500 million and managed sustainable common requirements applying to 48% of EU territory.

The CAP's share of the overall EU budget has shrunk steadily since the 1980s; in the 2014-2020 multiannual financial framework (MFF), it has amounted to 37.6%. At the same time, the policy design has shifted to an open, market-oriented approach whereby EU farmers can respond to market signals while handling the challenges of weak profitability and the costs associated with the EU's high production standards.

The EU farming sector now competes at world market prices in most sectors, leads the field in terms of food product diversity, safety and quality, and is the world's biggest agri-food exporter. Thanks to changes in the CAP, it has improved productivity by 10% since 2005 (without losing significant farm area to intensification) and reduced fertiliser use — while increasing yields. In addition, it has cut its greenhouse gas (GHG) emissions by 24% since 1990 (albeit not in recent years). At the same time, the CAP has helped to preserve agricultural activity throughout the EU, avoid land abandonment and narrow the gap between agricultural incomes and incomes in other sectors. However, ensuring a plentiful and affordable supply of food has come at a cost and the significant impacts on soil, water, air and especially biodiversity have led the CAP to pay increasing attention to the management of natural resources.

In order to address the numerous challenges in the agriculture sector, the CAP takes into account the fact that economic and environmental objectives can be achieved only if addressed jointly. The CAP therefore takes account of the multi-layer relationships between instruments and objectives. In order to assess the CAP's performance and improve its efficiency, the Commission established a common monitoring and evaluation framework (CMEF) for the 2014-2020 period. In addition and to support its assessment of the CAP's performance, the Commission monitors developments in agricultural markets, rural development and the use of CAP funds on the basis of context, output, result and impact indicators. Moreover, evaluation is a tool for assessing the impact of policy interventions. It provides evidence for decision-making and improves the interventions' effectiveness, relevance and efficiency.

The Commission's 2018 proposal for the future CAP puts climate and environmental action at the core of its priorities. Also, the European Green Deal raises the level of ambition in these areas and marks a further shift to a fair, healthy and environment friendly food system, in the context of a greater emphasis on consistency and synergies between EU policies.

The Commission has proposed a further strengthening of the monitoring and evaluation system for the future CAP, aiming to strike a balance between the benefits of monitoring and evaluation, and the associated costs and administrative burden.

### The Common Agricultural Policy (CAP)

4.14 The extent to which the impact of policy actions can be assessed depends on the timing and nature of the evaluations which are set out in the legal basis, and often on the data availability and quality as provided by the Member States and other partners or organisations. An earlier timing of the evaluations would entail substantial limitations in terms of results and/or impacts not having materialised yet.

The Commission considers that the timing of the evaluations is balanced appropriately, in order to properly assess the impact of the rural development funding. An interim evaluation, as provided for in the Commission's CAP post-2020 proposal, will not only provide input in the second part of the programming period, but also informs the impact assessment for the legislative proposal for the following programming period.

#### Common Commission reply to Paragraphs 4.16 – 4.21

When proposing reforms of the CAP the accompanying impact assessment allows the Commission to identify areas in which action is needed, reflect these in clear policy objectives and develop a number of 'intervention logics'<sup>1</sup> covering the wide range of CAP interventions.

Any policy seeking to address the numerous challenges in the agriculture sector needs to take into account the fact that economic and environmental objectives can be achieved only if addressed jointly. This means that successful farm policies need to reflect the multi-layer relationship between instruments and objectives rather than applying a simplified intervention logic. Therefore, policy evaluators develop detailed intervention logics and analyse the CAP's effectiveness in achieving its objectives.

As regards the 2014-2020 period, the Commission established a common monitoring and evaluation framework (CMEF) to assess the CAP's performance and improve its efficiency. The monitoring and evaluation results:

- help in setting policy and programme objectives, and are used to measure how these are met in the long term;
- contribute to accountability in public spending, thereby playing an important role in responding to the public's concerns and questions as regards the use of taxpayers' money; and
- provide a sound analytical basis for future policy design.

To support its assessment of the CAP's performance, the Commission monitors developments in agricultural markets, rural development and the use of CAP funds on the basis of context, output, result and impact indicators.

CMEF evaluation is a tool for assessing the impact of policy interventions. It provides evidence for decision-making and improves the interventions' effectiveness, relevance and efficiency. It also contributes to improved transparency, learning and accountability.

---

<sup>1</sup> For the CAP 2014-2020, see: [https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/key\\_policies/documents/technical-handbook-monitoring-evaluation-framework\\_june17\\_en.pdf](https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/key_policies/documents/technical-handbook-monitoring-evaluation-framework_june17_en.pdf)



For the programme statement, targets were defined for the result indicators relating to both the EAGF and the EAFRD. Some of the targets are quantified and others (where it is more relevant to indicate the desired ‘direction of travel’), stipulate a trend. For example, in view of the influence on farmers’ incomes of external factors such as drought and disease, the target for the CAP is to contribute to an increase in agricultural incomes.

While the performance of the policy can be observed annually and relatively reliably at the level of output, the strong influence of external factors (such as climatic events or health crises) becomes more important when one seeks to measure results and, in particular, impacts. Nevertheless, provided a CAP action has proven to be effective in achieving its objective, following annual progress in its implementation will itself provide a good indication of whether or not the CAP is on track. Also, the measures of the various indicators cannot be looked at in isolation, but require interpretation in context. Ultimately, evaluations will provide facts and findings on the CAP’s performance to the extent possible.

In the light of the above, the Commission is of the view that it can demonstrate that the CAP meets its objectives and considers that a focus on the outputs of spending does not give an overly optimistic view of achievements. As regards the examples cited by the ECA, it should be noted that the Commission’s reporting is factual and presents the latest statistical information available and farmers’ uptake of the measures by CAP objective in areas where the specific actions measured by the output indicators have proven effective in achieving a particular objective.

To take the example of climate actions (Box 4.1, first bullet point), before approving the rural development programmes (RDPs), the Commission assesses the contribution of management commitments against the targets, e.g. long-term GHG emissions reductions. The implementation of such commitments will contribute to reaching such targets. The higher the target, the higher the potential contribution. Some Member States have already tried to estimate the extent of the contributions and *ex post* evaluations will give a more comprehensive view.

Regarding broadband in rural areas (Box 4.1, second bullet point), there is a very direct link between the funded operations and the impact to be achieved. This is e.g. the case of Sweden and Lithuania. In Lithuania, Next Generation Access (NGA) broadband access in rural areas increased from 15.6% to 28.7% between 2015 and 2019, while in Sweden it went up from 13.9% to 40.9%. There are several examples of broadband projects that have been made possible by contributions from the EAFRD<sup>2</sup>.

It is important to note that the execution rate does not necessarily reflect the level of advancement of the measures. Since there are many cases where the expenditure is only declared after the completion of the project, the figures show the measure as not being implemented while implementation is ongoing.

**Figure 4.3** The Commission considers that in general all the performance indicators included in the programme statements are relevant to the programme objectives.

Setting targets at the start of the MFF period has the inherent risk that, over the lifetime of the programme, the targets become easier or more difficult to reach. This could be due to factors under the responsibility of the Commission, Member States, other partners and organisations, or to external factors.

Indicators by themselves do not necessarily reflect the attainment of programme objectives.

<sup>2</sup> See the Digital Single Market page of Europa <https://ec.europa.eu/digital-single-market/en/projects/75980/3608>



Therefore the fact that an indicator is (or is not) ‘on track’ to meet its target does not necessarily mean that the programme itself is (or is not) ‘on track’ to meet its objectives.

The indicator data should always be analysed in conjunction with other quantitative and qualitative information in order to assess the performance of the programme.

**Box 4.1 - Examples of overly optimistic performance reporting in the AMPR** - See the Commission’s reply under paragraphs 4.16 – 4.21.

4.21 In a follow up audit, the Commission’s Internal Audit Service acknowledged DG AGRI’s wide-ranging work to prepare the 2021-2027 CAP and the positive spill-over effects on the current monitoring and reporting of the 2014-2020 CAP.

Common Commission reply to Paragraphs 4.23 – 4.24

The CAP’s performance can be observed relatively reliably at the level of output indicators. The influence of external factors becomes more important when one seeks to measure results and, in particular, impacts on the ground. This means that the targets set for the indicators under the ‘viable food production’ objective cannot be looked at in isolation, but require interpretation in context. Accordingly, and given the particularities of the agricultural sector, the targets in the annual activity report and programme statement indicate the desired ‘direction of travel’, as the final values will depend on multiple other factors. The indicators have baselines and qualitative targets enable the Commission to assess progress.

Evidence confirms the CAP’s contribution to ensuring viable farm income. For example, the evaluation support study on its impact on viable food production finds that CAP measures in this area play an important role in supporting farm income, even if this is mainly driven by other factors, such as labour input and market developments. In addition, direct payments contribute to the stability of farm income, as do market measures that help limit the volatility of domestic prices – the study shows that the CAP measures keep prices more stable in the EU than they are in the world market. The World Bank<sup>3</sup> has found that ‘pillar II’ payments (rural development, etc.) contribute to agricultural productivity growth. In addition, the impact assessment that accompanied the legislative proposal for the post 2020 CAP shows that removing the CAP would result in an average drop of 18% in EU farm income, threatening the economic viability of agriculture and the attractiveness of rural areas; this demonstrates the importance of the CAP and its income support measures.

Common Commission reply to Paragraphs 4.25 – 4.32

Under the Treaty, a major objective of the CAP is to support farmers’ income. It does so by supporting agricultural activity. Therefore, it is reasonable to monitor the income generated by such activity. Data on total farm household income at EU level are interesting, but cannot determine the need for support specifically targeting farming activities. The ‘disposable income of farm households’ and ‘farm income’ are different concepts.

Direct payments are aimed at supporting a viable farm income level and contribute de facto significantly to stabilising farm income. The current legal framework provides for several policy tools

<sup>3</sup> World Bank (2017), “Thinking Common Agricultural Policy supporting agricultural jobs and incomes in the EU”. Regular economic report 4. Washington DC. International Bank for Reconstruction and Development. The World Bank. <http://pubdocs.worldbank.org/en/369851513586667729/Thinking-CAP-World-Bank-Report-on-the-EU.pdf>

to target them more precisely (for example, the average direct payment per hectare decreases with increasing farm size, while the average income per worker increases).

At the same time, direct payments seem concentrated because 20% of beneficiaries receive 80% of the support. However, it should be highlighted that professional family-type farms managing between 5 and 250 hectares receive 71.5 % of the total direct payments. Moreover, the ratio is an exact reflection of the concentration of land. Lastly, the ratio as such is not an issue – what counts is improving the distribution of direct payments further in terms of fairness, effectiveness and efficiency. By including several new tools for ensuring a fairer and more effective distribution of direct payments, the Commission's proposal for the post 2020 CAP seeks to do just that.

4.26 The Commission considers that, given the strong labour productivity growth in agriculture, the stability of the ratio is not inconsistent with the policy objective of increasing the individual earnings of people engaged in agriculture.

4.27 Entrepreneurial income per family work unit is provided only at the level of the agricultural sector and cannot be broken down by age.

As regards the disposable income of farm households, see our reply to 4.25-4.32.

4.32 The Commission's proposed 'genuine farmer' clause requires Member States to exclude from direct payments those individuals who have an agricultural activity but do not depend on farming to earn their living (because that activity forms only an insignificant part of their overall economic activity).

**Table 4.1** - The Commission is of the opinion that, when assessing the effectiveness of measures on skimmed milk powder (SMP), the evaluators failed to judge them against alternatives available in view of the legal framework.

The Commission considers that the private storage aid supported economic operators for a period in which they were looking for alternative outlets. The purchase of large quantities under public intervention helped halt the price drops, even if they weighed on the SMP market balance and contributed to the delay in the recovery of prices. Stocks were sold back to the market in 2018/2019 in a relative short period when market conditions allowed.

4.34 The Commission would repeat the comment it made in response to Farmers' income stabilisation (ECA special report No 23/2019), namely that for the type of product in question there were no ready alternatives to the Russian market. The Russian market accounted for 2 million tonnes of fruit and vegetables, including 700 000 tonnes of 'Idared' apples from Poland, for which there was no replacement demand elsewhere. In these circumstances, the adjustment to new markets had necessarily to be gradual, so there was a phased reduction in EU support over the period.

The Commission services are currently working on a legal amendment to address the risk of overcompensation.

4.35 The proportion of agricultural holdings participating in the various EAFRD risk management schemes is to some extent smaller than projected. However, the Commission observes some variation between the different tools offered and growing interest among Member States in designing suitable instruments in their RDPs, in particular in view of the many and increasing challenges farmers face today. The Commission is determined to improve the situation under the future CAP; for this reason, it has proposed making risk management tools compulsory for Member States and further improving

their attractiveness and versatility, in tandem with other CAP tools, so as to make the sector more resilient.

4.36 Improving farm viability takes time and the effectiveness of support is not measurable on a yearly basis. As many projects, such as investments, have a duration of more than a year and results are reported only when projects are finalised, the relevant target indicators usually increase towards the end of the programming period. Early evaluations are already showing that the rural development measures are having a positive impact on the CAP indicators ‘agricultural entrepreneurial income’ and ‘agricultural factor income’. Also, they find that rural development support contribute to boost competitiveness through the restructuring and modernisation of the sector and by improving relations between farms and the market<sup>4</sup>.

In addition, the World Bank<sup>5</sup> has found that ‘pillar II’ payments play an important role in increasing competitiveness through their contribution to agricultural productivity growth.

4.38 CAP measures support practices that are beneficial to natural resources and the climate. Annual monitoring of their uptake is already providing valuable information on the CAP’s ability to deliver in these areas. The actual benefits for the environment can be assessed only with evaluations and with a certain time lag.

Common Commission reply to Paragraphs 4.39 – 4.43

Under the CAP, certain key instruments aim at promoting the sustainable use of natural resources in interaction with other CAP instruments. The effect of individual policy instruments cannot be isolated in the trends observed which are the result of various factors.

- Standards of good agricultural and environmental conditions (GAECs) are part of ‘cross-compliance’ and reflect basic practices that are not supported by CAP funding and serve as part of the baseline for more demanding supported practices. Member States have a degree of flexibility to set national GAEC standards, in order to take account of national needs and situations, but there is a common compulsory EU framework supporting a level playing field.
- ‘Greening’ is the environmental and climate component of direct payments, which remunerates farmers’ provision of public goods on the basis of specified requirements. The greater the area covered by greening requirements, the greater the contribution to the environmental and climate objective. Greening does not necessarily change farmers’ practices when these already correspond to a sufficient level of ambition, but where practices are not at the required level, greening requirements oblige farmers to adapt them. In all cases, greening prevents further intensification beyond a point set at EU level.
- Agri-environment-climate measures contribute to the sustainable use of natural resources and can build on a wide set of good examples implemented. In 2014-2020, more than 17% of the EU’s utilised agricultural area has been under farm management practices that benefit biodiversity. These include practices supported under agri-environment-climate measures, for organic farming and Natura 2000. Based on the EAFRD framework, Member States’ programmes provide a ‘menu’ of agri-environmental-climate commitments from which land managers may choose those best-suited to their specific conditions, from easier to fulfil, broader commitments to very targeted

<sup>4</sup> Evaluation Helpdesk report – Summary report synthesis of evaluation components of the enhanced AIRS 2019 Chapter 7 December 2019 and Evaluation support study of the impact of the CAP measures towards the general objective “viable food production”

<sup>5</sup> See footnote 3

commitments applied on limited areas. All such commitments involve environmentally ambitious farming practices that go always beyond the cross-compliance requirements, hence delivering additional environmental public goods. The same approach applies in the forestry sector, although to a more limited extent and to date with much lower uptake by potential beneficiaries, due to the nature of the sector.

The Commission proposal for the post 2020 CAP is ambitious with regard to the EU's environmental and climate related objectives. The 'green architecture' of the future CAP will retain all the current greening practices under enhanced conditionality arrangements. Pillar II tools such as agri-environment-climate commitments, non-productive investments and knowledge/information exchange will be maintained and strengthened. In addition, the new CAP will have a new tool in the form of eco-schemes financing practices that are beneficial for the environment and the climate. Finally, a focus on performance and strategic planning for both pillars will be essential for strong delivery on environment-climate objectives.

Common Commission reply to Paragraphs 4.44 – 4.48

The 2018 evaluation support study on the CAP impact on climate change<sup>6</sup> concludes that the CAP has effective instruments to address climate needs, but their impact is difficult to measure as it is influenced by a combination of factors.

The 'sustainable management of natural resources and climate action' is one of the three core objectives of the CAP. Climate-friendly land use and land management practices, and the financing of climate-friendly investments are supported through a mix of mandatory and voluntary CAP instruments. Since 1990, emissions in agriculture have been reduced by 20% and the CAP has contributed to this. However, it is true that emissions have been stable for a couple of years now, which may be because:

- agriculture is a sector in which the reduction of non-CO2 emissions is extremely challenging<sup>7</sup> and which has a lower mitigation potential than other sectors<sup>8</sup> due to the biological nature of emissions and the multiple functions of the sector (food security, jobs and income, etc.); and
- EU policies do not set sector-specific targets. It is up to each Member State to formulate, on the basis of actions' cost-effectiveness and mitigation potential, how and in which sector(s) it will work on reducing emissions. As agriculture has a lower potential to reduce emissions, Member States may have decided, to tackle issues in other sectors first.

The Commission has recently adopted a Communication<sup>9</sup>, proposing an EU-wide 2030 target of reducing GHG emissions by at least 55% from 1990 levels. Agriculture and forestry will play a crucial role in the EU's achievement of climate neutrality by 2050. Agriculture is part of the EU's 2050 long-term strategy, which is the basis for the Green Deal. It is fully integrated in the national energy and climate plans (NECPs), the United Nations Framework Convention on Climate Change (UNFCCC) long-term strategies and CAP strategic plans. If we are to achieve climate neutrality by 2050, the sector needs to do its share and contribute to the increased climate ambition for 2030.

<sup>6</sup> Evaluation study of the impact of the CAP on climate change and greenhouse gas emissions, 2018.

<sup>7</sup> <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A52014SC0015>

<sup>8</sup> <https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/economic-assessment-ghg-mitigation-policy-options-eu-agriculture-ecampa-2>

<sup>9</sup> [https://ec.europa.eu/knowledge4policy/publication/communication-com2020562-stepping-europe%E2%80%99s-2030-climate-ambition-investing-climate\\_en](https://ec.europa.eu/knowledge4policy/publication/communication-com2020562-stepping-europe%E2%80%99s-2030-climate-ambition-investing-climate_en)

In line with the Communication<sup>10</sup>, the Commission also plans to launch a series of revisions of the key legislative instruments to achieve the new target. The CAP strategic plans to be developed by Member States are a key opportunity to direct more resources to achieve durable emissions reductions in agriculture, while enhancing its economic and environmental sustainability and resilience.

The Green Deal, 'Farm to Fork' strategy and 2030 climate target plan all point to the benefits of action in this sector, significantly reducing emissions while ensuring continued food security in the EU. The efficient use of fertilisers, precision farming, healthier livestock herds and anaerobic digestion (producing biogas and using organic waste) are examples of existing technologies that have significant unexploited potential.

The Commission will draw up recommendations to Member States highlighting the areas in which we want to see actions under the CAP plans, with a particular emphasis on the Green Deal targets.

**Figure 4.9** - The numbers clearly indicate that EU agriculture emissions between 2010 and 2018 oscillate around similar values, without a significant increase or decrease and thus remain inconclusive.

Total EU-28 GHG emission trends are likely to be more accurate than individual absolute annual estimates, which are not independent of each other. The Intergovernmental Panel on Climate Change (IPCC) suggests that the uncertainty in total GHG emission trends is around 4-5 %.

Data on agriculture emissions for 2018 are now available and show a decrease.

Common Commission reply to Paragraphs 4.49 – 4.51

The EAFRD contributes to a balanced territorial development, but is not designed to solve by itself all the problems faced in rural areas in the EU.

The World Bank's Thinking CAP<sup>11</sup> report highlights that the CAP is associated with the reduction of poverty and the creation of better jobs for farmers across the EU. It concludes that "the CAP reaches far and wide, and can be a powerful instrument of structural transformation". The gap between agricultural incomes and incomes in other sectors is closing and across the EU agricultural incomes are converging. Both pillars of the CAP contribute to these achievements. A forthcoming evaluation of the CAP's impact on 'balanced territorial development' (to be published in 2021) will provide additional insights.

The CMEF contains a broad range of indicators to track progress on the general objective of 'balanced territorial development'; these include (un)employment rates and the structure of the economy (see [https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/farming/documents/cap-context-indicators-table\\_2019\\_en.pdf](https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/farming/documents/cap-context-indicators-table_2019_en.pdf)). The same applies to the proposal for the future CAP (Annex I to the proposed CAP Strategic Plan Regulation).

Common Commission reply to Paragraphs 4.52 – 4.54

<sup>10</sup> Stepping up Europe's 2030 climate ambition - Investing in a climate-neutral future for the benefit of our people; <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0562>

<sup>11</sup> World Bank (2017), "Thinking Common Agricultural Policy supporting agricultural jobs and incomes in the EU". Regular economic report 4. Washington DC. International Bank for Reconstruction and Development. The World Bank. <http://pubdocs.worldbank.org/en/369851513586667729/Thinking-CAP-World-Bank-Report-on-the-EU.pdf>

The CAP contributes to generational renewal in agriculture, with positive knock-on effects for employment.

Objectives such as generational renewal in agriculture and job creation in rural areas cannot be achieved by one support instrument alone, but are the result of synergies among various national and EU instruments and the specific national or regional context. The CAP offers a range of instruments that contribute in this respect. By the nature of supported projects (in particular in the case of LEADER), job creation materialises only after a certain time. In addition, EAFRD support is often not given direct credit, even though it creates the conditions in which jobs can be offered and targeted individuals can take them.

A recent evaluation support study<sup>12</sup> suggests that CAP measures for young farmers have a positive impact on employment and generational renewal (relative to the counterfactual), including EAGF support. They make a difference to the performance and resilience of farm businesses. However, rather than encouraging farm succession, they are more likely to improve the socio-economic sustainability of farm businesses after young farmers have taken them on.

The socio-economic context in rural areas and the entry barriers for young farmers (such as land prices and access to capital) are strong deterrents for new entrants that the CAP alone cannot overcome.

The Commission's legislative proposal for the post-2020 CAP provides for a new framework of support for young farmers, with greater synergies between pillar I and pillar II support, with a view to ensuring coherence between interventions, targeted and tailor-made solutions, and maximising the cost effective implementation of all resources available in ways that best suit local conditions and real needs. Because of the influence of national factors on generational renewal, Member States will have to examine the interplay between national instruments and EU interventions, and ensure consistency.

Common Commission reply to Paragraphs 4.55 – 4.57

The EAFRD provides a wide range of support instruments for investments in rural areas, covering different types of investment and rural development objectives. It is not possible to cover all projects with a limited set of indicators. Furthermore, the effectiveness of support can be assessed only through evaluations, using additional information for the analysis. The Commission has proposed solutions for a number of problems relating to the monitoring and evaluation system for the 2014 2020 programming period, but a balance will always have to be struck between the benefits of monitoring and evaluation, and the associated costs and administrative burden. As regards broadband coverage in rural areas, see also the reply on Box 4.1.

4.58 In the rural development context, expected results and corresponding targets are established at the level of objectives (focus areas), not at the level of individual measures. They are used to establish operational targets to be achieved through the implementation of a number of relevant support measures in the RDPs. In view of the high number of possible measures, result indicators defined at that level would not be operational. However, Member States may set programme specific indicators in addition to the common indicators, to monitor specific achievements under their RDPs.

## CONCLUSIONS

Common Commission reply to Paragraphs 4.59 – 4.60

<sup>12</sup> Evaluation of the impact of the CAP on generational renewal, local development and jobs in rural areas, 2019



The Commission considers that the 2019 annual management and performance report provides adequate quantified information about the results and impact of the CAP, and presents a balanced narrative about policy achievements by focusing on both outputs and results.

The Commission's continuous monitoring of developments in agricultural markets, rural development and the use of CAP funds through context, outputs, results and indicators to support its assessment of the CAP's performance generates information that has become increasingly transparent, user friendly and timely, and provided a basis for both internal and external analyses of CAP performance. This would not have been possible had the information not been quantified.

While the performance of the policy can be observed annually and relatively reliably at the level of output, the strong influence of external factors (such as climatic events or health crises) becomes more important when one seeks to measure results and, in particular, impacts. Despite the resultant limitations, annual progress in the implementation of a CAP action will provide a good indication as to whether or not it is on track to achieve its objective, and will contribute to the evaluation of its effectiveness.

Any policy seeking to address the numerous challenges faced by the agriculture sector and rural areas needs to take account of the fact that economic and environmental objectives can be achieved only if addressed jointly. It is important to look at indicators in their broader context and in the light of potential synergies/trade-offs rather than in isolation.

This means that effective farm policies need to reflect multi-layer relationships between instruments and objectives rather than applying a simplified intervention logic in order to capture both the tensions and the opportunities created by all types of modern farming practices in terms of economic and environmental efficiency. The CAP's detailed intervention logic is reflected in the Commission's 2018 impact assessment and developed in each of the evaluations, which assess in detail the effectiveness of the policy in achieving its objectives.

4.61 See first paragraph of Commission reply to Paragraph 4.14.

4.62 In view of the influence on farmers' income of external factors, such as droughts or diseases, the target for the CAP is to contribute to an increase of the agricultural income. In addition, the rural development support contributes to enhance competitiveness through the restructuration and modernisation of the EU farm sector and through the improvement of the relations between farms and the market<sup>13</sup>.

4.63 The EU's current climate action framework does not set sector specific targets, but provides for national targets for emissions reductions in sectors outside the emissions trading scheme, including agriculture, transport, waste and buildings. Each Member State decides, on the basis of actions' cost-effectiveness and mitigation potential, how and in which sector(s) it will work on reducing emissions. As costs for further reductions in agriculture are quite high compared to other sectors, Member States may have decided to tackle issues in other sectors first. However, the increased ambition in the new 2030 climate target plan will require a re-evaluation of the current framework and lead to proposals covering the relevant sectors in mid-2021.

4.64 There is a wide range of information available on the CAP and researchers can access more detailed information on the (very numerous) CMEF indicators.

---

<sup>13</sup> Evaluation Helpdesk report – Summary report synthesis of evaluation components of the enhanced AIRS 2019 Chapter 7 December 2019 and Evaluation support study of the impact of the CAP measures towards the general objective “viable food production”.

## REPLIES OF THE COMMISSION TO THE EUROPEAN COURT OF AUDITORS' REPORT ON THE PERFORMANCE OF THE EU BUDGET – STATUS AT THE END OF 2019

### CHAPTER 5 – SECURITY AND CITIZENSHIP

#### INTRODUCTION

The Asylum, Migration and Integration Fund (AMIF) promotes the efficient management of migration flows and the implementation, strengthening and development of a common Union approach to asylum and migration. It supports actions in relation to asylum, including resettlement and relocation, legal migration and integration of third country nationals, and return operations.

During the current MFF, the Commission focused the support under the AMIF on providing effective responses to the refugee crisis thereby ensuring the implementation of the Agenda on Migration. The flexible emergency response mechanism (“emergency assistance”) managed by the Commission under direct management, is considered a particularly effective tool to address unforeseen needs. In this context, an important priority was to achieve a stronger alignment of AMIF with the policy objectives and specific operational needs to effectively support the proposed solutions to the refugee crisis and enhance synergies and complementarity between AMIF and other EU funding instruments (in particular the European Structural and Investment Funds, the Development Cooperation Instrument and with EU instruments for humanitarian aid ).

Reporting on the performance of the Fund implemented under shared management is done at regular intervals and at two levels: the first level consists of monitoring data, which Member States are collecting and submitting to the Commission in their annual implementation reports. These data cover the indicators set out in the Regulation establishing the AMIF (Regulation 516/2014). The second level of performance reporting are evaluations. The existing Regulations require the Member States and the Commission to conduct interim evaluations and ex post evaluations. Each of these two data sets serves a different purpose. While the monitoring data provide an overview of the progress in implementation of the Fund, the evaluations assess the impact of the support. The ex post evaluation of the Commission will in particular assess the impact on the effective management of migration flows into the Union, the development of the Common European Asylum System and the fair and equal treatment of third country nationals. The interim evaluation was finalised in June 2018. Due to the late adoption of the Regulations, which resulted in a late start of programme implementation, the interim evaluation provided only a very first assessment of early implementation of the AMIF. The ex post evaluation of the Commission, which is due end June 2024 will provide a far more comprehensive assessment of the AMIF performance.

#### The Asylum, Migration and Integration Fund (AMIF)

5.10 The Asylum, Migration and Integration Fund provides the financial means to push forward the EU's comprehensive agenda on migration in a volatile context and challenging migration situation through 2014-2019.

**Figure 5.3** - Implementation of the programme will last until the end of 2022, after which the Commission will finally assess AMIF performance against the targets. Article 57 of Regulation 514/2014 requires Member States to submit their ex post evaluation to the Commission by December 2023. On the basis of these reports, the Commission shall submit the ex post evaluation by 30 June 2024.

**Figure 5.4** - The Commission considers that in general all the performance indicators included in the programme statements are relevant to the programme objectives.



Setting targets at the start of the MFF period has the inherent risk that, over the lifetime of the programme, the targets become easier or more difficult to reach. This could be due to factors under the responsibility of the Commission, Member States, other partners and organisations, or to external factors.

Indicators by themselves do not necessarily reflect the attainment of programme objectives.

Therefore the fact that an indicator is (or is not) ‘on track’ to meet its target does not necessarily mean that the programme itself is (or is not) ‘on track’ to meet its objectives.

The indicator data should always be analysed in conjunction with other quantitative and qualitative information in order to assess the performance of the programme.

5.14 Neither the Regulation 516/2014 nor Annex IV of Reg. 516/2014 setting out the common indicators, classify the indicators as output or result indicators.

5.15 As the indicators are used to track progress in the implementation of the national programmes, the targets are set at the beginning of the programming period and are generally adjusted upwards or downwards, when additional funding is added to the national programmes. The overachievement of the targets reflects in itself the potential for more efficiency gains.

5.16 The 2020 IAS follow up audit concluded that the ‘recommendation has been adequately and effectively implemented’.

5.17 Targets are set by the Member States in their national programmes at the beginning of the programming period, and adjusted when additional funding is allocated to the national programmes.

With respect to the assessment of needs:

- every programme analyses the needs in the various areas covered by the programme (section 2 of approved programmes). These needs form the basis for determining the allocation of funding and consequently the level of targets. Therefore, the targets set by the MS and approved by the Commission are considered relevant information for the assessment of the progress under AMIF.
- The interim evaluation concluded that the interventions supported by the AMIF corresponded to the needs identified by the Member States (see 5.20 and text in Box 5.1).

There is no legal obligation for Member States to collect and report quantitative information on their total needs. This is in line with the commitment taken by the three Institutions in the Interinstitutional Agreement on Better Law-making, to, as appropriate, establish reporting, monitoring and evaluation requirements in legislation, while avoiding overregulation and administrative burdens, in particular on Member States.

5.18 - All EMAS applications submitted are assessed in line with the Financial Regulation, against several criteria; including if the general objective (expected impact) and response to the emergency assistance is aligned with the Fund and policy objectives and if the specific objectives set (expected results) contribute to the general objective. For each specific objective, appropriate indicators are defined to measure the progress of achievement, including: unit of measurement, baseline and target value, which are monitored along the implementation of the grant agreement, in order to ensure that spending is done as planned. Throughout the implementation of the EMAS assistance, the Commission monitors the performance in terms of effective, as well as efficient use of the EU funds, by ensuring complementarity with other EU funds and actions. The indicator data should always be

analysed in conjunction with other quantitative and qualitative information in order to assess the performance of the programme.

As regards the future AMF, further to the ECA recommendation and provided that relevant Regulations for the MFF 2021-2027 are adopted, the Commission will develop criteria for allocating EMAS funds by 30 June 2021.

5.19 Information on the economy and efficiency of programmes is not available on an annual basis. These aspects result to a large extent from the regulatory framework and are typically measured in the longer term.

A more comprehensive performance assessment of the spending programmes is done in the context of evaluations, making use of all available qualitative and quantitative information. Information on efficiency is collected in the framework of evaluations. The Regulation 514/2014 stipulates that two evaluations are to be performed on the AMIF: one interim evaluation in 2017 and one ex-post evaluation at the end of the programme.

The results of the 2017 interim evaluation have been described in the draft budget 2020 programme statements.

By 31 December 2023, the Member States will provide an ex-post evaluation report on the effects of actions under their national programmes and by 30 June 2024 the Commission will present an ex-post evaluation report on the effects of the legal bases. The ex post evaluation of the Commission will also examine the impact of the Specific Regulations on the development of the area of freedom, security and justice in terms of their contribution to a selected set of objectives.

5.20 Overall, the Fund has generated important EU added value, despite the relatively small size of the funds in comparison with the important challenges imposed by the migration crisis.

5.23 First indent - The AMIF provides a relatively limited amount of funding in this area compared to the overall needs in the Member States. It is clear that the Fund will not address 100% of the needs. Nevertheless, the AMIF can provide a positive contribution.

The needs, which the Member States aim to address with the Fund, are set out in the national programme (section 2) at the beginning of the programming period.

The interim evaluation concluded that the interventions supported by the AMIF corresponded to the needs identified by the Member States (see 5.20 and text in Box 5.1).

Moreover, the ex post evaluation will analyse whether the effects of actions funded by the AMIF under the national programmes, have indeed contributed to addressing these needs.

Second indent - Please see Commission reply to paragraph 5.15.

5.24 Support through AMIF brought a decisive contribution to the development of resettlement programmes and activities by a large majority of Member States. The number of resettlements to the EU has been constantly growing since 2015. Even if the COVID-19 pandemic has put a temporary halt to resettlements -although resettlement operations have resumed slowly in some Member States after the summer-, overall, the Commission considers that with more than 60 000 resettlements completed by 2019, this policy can be considered a success upon which the Commission will build in the future.

5.25 The AMIF can contribute to the convergence of recognition rates by enhancing cooperation between Member States. However, the treatment of asylum applications remains a political issue that funding alone cannot always remedy.

5.26 According to the EASO 2020 Report on Asylum Trends, important backlogs in processing asylum applications do not exist in all Member States. The Report notes a reduction in the backlog in Germany and that the stock of pending cases was considerable and growing in Belgium, Greece, France and Spain.

On 23 September 2020, the Commission adopted the New Pact on Migration and Asylum, following intense consultations with the European Parliament, Member States and various stakeholders. The Pact covers all the different elements needed for a comprehensive European approach to migration.

It proposes more efficient and faster procedures by introducing an integrated border procedure, which includes a pre-entry screening covering identification of all people crossing the EU's external borders without permission or having been disembarked after a search and rescue operation. This will comprise a health and a security check, fingerprinting and registration in the Eurodac database. After the screening, individuals can be channelled to the right procedure, be it a procedure at the border for certain categories of applicants or in a regular asylum procedure. In this border procedure, swift decisions on asylum or return will be made.

5.27 The Commission presents below the actions taken since the publication of the ECA report 24/2019 one year ago:

- EASO substantially increased support in Greece through the Operating Plan signed between EASO and Greece in December 2019. Based on this plan, the Agency is already scaling up its operational presence in support of the Greek authorities. Deployed EASO personnel will double from approximately 500 to over 1000 throughout the year 2020. They will work to support the Greek Asylum Service, the national Dublin Unit, the Reception and Identification Service and the Appeals Authority.
- On 28 January 2020, the European Asylum Support Office (EASO) and the Greek government signed a Seat Agreement for the Hosting of the EASO Operational Office in Greece. The hosting agreement gives legal and administrative clarity to the status of EASO in Greece, allowing the Agency to be better able to support the Hellenic asylum and reception authorities.
- The Commission is already providing EMAS assistance to Greece in order to support the Greek Asylum Service (as beneficiary) in tackling the backlog of asylum cases and other activities aiming at ensuring a fair and efficient asylum procedure in Greece. EASO, under its latest Operational Plan, also supports the operations of the Greek Asylum Service.
- The AMIF Greek national programme (shared management) is also supporting the activities and the functioning of the Greek Asylum Service.
- As regards Italy, the Commission expressed concerns to the AMIF Responsible Authority regarding the capacity to process the large number of appeals and invited them to be in touch with the Ministry of Justice to explore ways to ensure long-term financial support for interpretation in the appeal stage. At the AMIF national programme Monitoring Committee held on 9 December 2019, the AMIF Responsible Authority informed the Commission that they had received positively our recommendation and would take action accordingly with the Ministry of Justice.

- As a remark, according to Eurostat data, the number of pending cases decreased in Greece between March and July 2020: from 112 370 at the end of February 2020 to 83 325 at the end of July 2020 (last available data). This is probably related to Covid-19. Additionally, the number of pending cases significantly decreased in Italy over the last 2 years: from 152 420 at the end of 2017 to 47 020 at the end of 2019).

5.28 Regarding integration, in the New Pact on Migration and Asylum<sup>[1]</sup>, the Commission announced its intention to adopt a new Action Plan on integration and inclusion by the end of 2020, which will provide strategic guidance and will set out concrete actions to foster inclusion of migrants and broader social cohesion.

[1] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on a New Pact on Migration and Asylum COM/2020/609.

5.30 Second indent - While integration is a complex issue where many elements have an influence on the integration outcomes of TCNs, through AMIF, the Commission has supported a holistic approach to integration, taking into account a variety of aspects that can have an impact on the integration process. The support provided by AMIF went beyond language classes and civic courses and addressed also issues linked to active participation in the society and access to services that can have an impact on the long-term integration of TCNs.

Nevertheless, the Commission would like to underline that without language and civic courses, it is difficult to achieve any integration even if only short-term.

Third indent - The contribution of the AMIF to this indicator is very limited, also from the perspective of the overall EU budget. The bulk of the funding linked to employability comes from the European Social Fund. The AMIF legal basis only allows for preparatory measures before the entry to the labour market. Thus, the evolution of the performance indicator of TCNs on the labour market depends on many other factors than the AMIF contribution to the integration of TCNs; in particular, the overall evolution of the economic situation. The link between the two should be analysed bearing this in mind.

5.31 The 2016 Commission Action Plan included actions to be implemented only by the Commission and not by Member States. It included non-binding encouragements to focus on certain areas. The assessment of the Action Plan achievements by the Commission is ongoing.

5.32 The Commission monitors the proper transposition of directives and their concrete application, including through infringement procedures. For some of its aspects, the transposition of the EU's legal migration framework may differ from one Member State to another due to the presence of several "may" clauses.

5.33 The fact that the current legal migration framework had a limited impact vis-à-vis the overall migration challenges that Europe is facing goes beyond the scope of the AMIF. Not only does the Fund have relatively limited financial resources; building a comprehensive immigration policy is primarily a political decision and only subsequently requires financial support.

Moreover, the results of the 2019 fitness check as regards the impact of the EU legal migration framework is more positive. The key finding was that, overall, and in spite of some shortcomings the legal migration directives have brought positive effects that would have not been achieved by the Member States acting alone. All stakeholders, including Member States, have confirmed the

continued EU added value of having a shared EU legal framework for legal migration. The main positive effects identified by the evaluation are:

- a degree of harmonisation of conditions, procedures and rights, helping to create a level playing field across Member States;
- simplified administrative procedures;
- improved legal certainty and predictability for third-country nationals, employers, and administrations;
- improved recognition of the rights of third-country nationals (namely the right to be treated on an equal basis with nationals in a number of important areas, such as working conditions, access to education and social security benefits, and procedural rights);
- improved intra-EU mobility for certain categories of third-country nationals (e.g. intra-corporate transferees, researchers and students)

5.34 As announced on 23 September 2020 in the Pact on Migration and Asylum, the Commission called on the co-legislators to swiftly conclude the negotiations on the EU Blue Card Directive.

5.35 To bring more measurable results in returning irregular migrants, the Commission adopted in March 2017 a renewed Action Plan on return and a Commission Recommendation on making returns more effective when implementing the Return Directive, to make sure that the EU is equipped to respond to new challenges. Moreover, on 12 September 2018, the Commission tabled a proposal for a revised Return Directive (recast), which includes a number of targeted amendments, while not affecting the scope of the original Return Directive. The revised Return Directive intends to maximise the effectiveness of the EU return regime and ensure a more consistent application across Member States, whilst safeguarding fundamental rights and the principle of non-refoulement.

The amended proposal for an Asylum Procedures Regulation adopted on 23 September 2020 as part of the New Pact on Migration and Asylum, follows this line in that it reinforces the legal, operational and institutional framework of the EU return system, and closes the loopholes with asylum. It thus constitutes a new initiative to create a common and effective European return system, of which the recast Return Directive proposal will remain the cornerstone.

The Commission has always recommended to the Member States voluntary returns as the preferred option for being more dignified and cost-effective. As announced in the New Pact on Migration and Asylum, the Commission will present next year a specific strategy on voluntary returns and reintegration.

5.38 Despite all the projects and initiatives of the Commission, the Member States and the European Border and Coast Guard Agency (Frontex) in recent years, the absolute numbers of effective returns keep dropping, even though the numbers of migrants obliged to leave increase, albeit slowly.

In the context of the Covid-19 crisis, the Commission has worked with Member States and third countries to make sure that Covid-19 precautions for returnees and staff involved were fully respected and that return procedures could continue as much as possible. Specific priority has been given to promoting voluntary returns.

On 16 April 2020, the Commission presented guidance to Member States on the implementation of EU rules on return procedures in the context of the coronavirus pandemic. This responds to the request from Member States for guidance on ways to ensure the continuity of procedures and the respect of fundamental rights and the EU Charter.

It is of primary importance that the double objective of the Directive is fulfilled, namely to improve the effectiveness of national procedures and ensure the protection of migrants' rights.

The New Pact on Migration and Asylum follows this line and brings new initiatives to create a common and effective European return system, which reinforces the legal, operational and institutional framework of the EU return system, and closes the loopholes with asylum. The recast Return Directive proposal will remain the cornerstone of that framework, together with the new proposal amending the 2016 Asylum Procedure Regulation proposal.

5.39 AMIF contributed to the implementation of the return strategies by providing Member States with the necessary assistance in different areas of the return policy: from increasing detention capacity, improving its conditions, and ensuring the implementation of safeguards (e.g. free legal assistance) to covering the costs of return operations in cases where Frontex could not offer support or where such assistance was not considered necessary by the Member States.

5.41 The Commission would like to stress also that Frontex operational assistance to Member States and AMIF National Programmes are supporting forced return activities in a complementary way:

- Frontex ensures complementarity and coordination with AMIF-funded return support by sharing with Member States and the European Commission a catalogue of available services in the field of return.
- An even more coordinated approach has been proposed for return-related activities under the upcoming EU financial instrument (AMF).

Having the possibility to organise return operations financed through AMIF National Programmes gives Member States the flexibility needed in order to perform returns when and where the Agency cannot provide support or where Member States consider that the involvement of the Agency is not needed.

5.42 On 23 September 2020, the Commission adopted the New Pact on Migration and Asylum, following intense consultations with the European Parliament, Member States and various stakeholders. The Pact covers all the different elements needed for a comprehensive European approach to migration.

In addition to proposing more efficient and faster procedures, referred to in the Commission comment under paragraph 5.26, the Pact is based on the principle of fair sharing of responsibility and solidarity. Member States must contribute to solidarity. The Pact takes into account the different situations of Member States and fluctuating migratory pressures and proposes a system of flexible contributions from the Member States. These can range from relocation of asylum seekers from the country of first entry to taking over responsibility for returning individuals with no right to stay or various forms of operational support.

The Pact consists of tailor-made and mutually beneficial partnerships with third countries. These will help address shared challenges such as migrant smuggling, will help develop legal pathways and will tackle the effective implementation of readmission agreements and arrangements.

5.43 The Commission would like to underline that the effectiveness of relocation, hotspots and asylum policies were dependent on political decisions/eligibility criteria.

The main benefit from AMIF at EU level arises from the transnational dimension of certain actions, but also the benefit of solidarity at EU level, supported in particular by the emergency assistance and relocation and resettlement mechanisms.



On relocations, please see Commission replies (notably paragraphs 33-48) to the ECA special report 24/2019 *“Asylum, relocation and returns of migrants: time to step up action to address disparities between objectives and results”* (COM(2019) 592 final).

First indent - This factor is related to political decisions/eligibility criteria and cannot be related to the effectiveness of the Fund as such.

Second indent - Please see Commission reply to the first bullet point above.

Third indent - The Commission would like to recall that relocations are dependent on decisions taken by Member States and -relating to the 2015 scheme- on the relevant eligibility criteria for the scheme. The number of relocations could beneficially be used in a qualitative analysis of the effects of the AMIF, but should not be used directly to evaluate the effectiveness of the Fund, as the Fund in itself did not limit the relocations.

As mentioned by the Commission in its official reply to the ECA report 24/2019, the relocation schemes were successful in alleviating the pressure on the Italian and Greek asylum systems from a significant proportion of the applications of persons in clear need of protection (and thus, also, alleviating the long term pressure associated with integration).

Fourth indent - Although voluntary and ad-hoc, EU funding was instrumental in supporting relocations following disembarkations and provided an important incentive to support Member States under pressure.

The co-legislators agreed in 2018 to reallocate the remaining unused funds from the temporary relocation schemes to other migration priorities. By revising the national programmes in 2019, this funding has notably been reallocated to voluntary relocation (EUR 26 million) and resettlement (EUR 116 million), among other key priorities in the migration area.

5.44 Sufficient funding was made available to Member States from AMIF for relocation, but relocation did not happen to the extent planned. This cannot be linked to the functioning of the AMIF, but to the fact that relocations were not requested by Member States.

## CONCLUSIONS

5.45 Substantial additional AMIF funding has been mobilised since 2015 to respond to the migration crisis, in particular to support the frontline Member States. The support of AMIF needs to be seen against the background of an extremely difficult and sensitive political context with very diverse Member States' positions and needs. There are clear limits to what the Fund can contribute in such a political context and with the relatively limited amount of funding available, against the backdrop of the challenges faced in the area.

The AMIF is achieving its objectives taking into account the volatile and challenging migration situation.

5.46 Please see Commission's reply to paragraph 5.16 on the adequate and effective implementation of the audit recommendation.

The Commission described under paragraph 5.18 the detailed performance information available for EMAS, despite the fact that it has not developed a performance-monitoring framework.

Throughout the implementation of the EMAS assistance, the Commission monitors the performance in terms of effective, as well as efficient use of EU funds, by ensuring complementarity with other EU funds and actions.

As regards the future AMF, further to the ECA recommendation and provided that relevant Regulations for the MFF 2021-2027 are adopted, the Commission will develop criteria for allocating EMAS funds by 30 June 2021.

5.47 Any shortcomings in relation to the impact indicators could be attributed more to the implementation of political objectives rather than to the functioning of the Fund.

The influence of the political context on the indicators is recognised in paragraph 5.10.

Moreover, information on efficiency is collected in the framework of evaluations. The Regulation 514/2014 stipulates that two evaluations are to be performed on the AMIF: one interim evaluation in 2017 and one ex-post evaluation at the end of the programme.

The indicators data provided by the Member States suggests that, overall, there is good progress towards reaching the targets set out in the national programmes.

5.48 AMIF provided substantial financial support for the resettlement of refugees, which helped Member States develop their resettlement capacities. This translated into a steady increase in resettlement pledges since 2014. The target set by the Commission is on track and the resettlement activities are on-going. Therefore, the target has not yet been achieved.

5.49 The evolution of the performance indicator of TCNs on the labour market depends on many other factors -e.g. the overall evolution of the economic situation- than the AMIF contribution, which addresses preparatory measures before the entry to the labour market.

The Commission would like to highlight that the primary objective of the AMIF is not to integrate highly skilled workers. In general, it is true that the current EU rules on legal migration, including on attracting highly skilled workers, should be improved. This is what the Commission proposed in 2016 with the reform of the Blue Card on highly skilled workers, still under negotiation. Finally, as announced in the Pact on Migration and Asylum, the Commission called on the co-legislators to conclude the negotiations on the EU Blue Card Directive swiftly. The Commission also launched a public consultation on legal migration and announced some measures to improve the current framework (beyond highly skilled migrants).

5.50 The reasons for low effectiveness of returns are not directly linked to the performance of the AMIF, although spending from the Fund may contribute to the corresponding target.

The Pact on Migration and Asylum will bring new initiatives to create a common and effective European return system, which reinforces the legal, operational and institutional framework of the EU return system, and closes the loopholes with asylum. The recast Return Directive proposal will remain the cornerstone of that framework, together with the amended proposal for an Asylum Procedure Regulation.

The September 2015 relocation schemes were successful in alleviating the pressure on the Italian and Greek asylum systems from a significant proportion of the applications of persons in clear need of protection (and thus, also, alleviating the long term pressure associated with integration). 96% (34,700) of all eligible migrants requesting relocation under the 2015 schemes were effectively



relocated. Remaining unused funds from the temporary relocation schemes were reallocated to other migration priorities.

EU funding was instrumental in supporting relocations following disembarkations and provided an important incentive to support Member States under pressure.

On relocations, please see also Commission replies (notably paragraphs 33-48) to the ECA special report 24/2019 *“Asylum, relocation and returns of migrants: time to step up action to address disparities between objectives and results”* (COM(2019) 592 final).

Finally, with the New Pact on Migration and Asylum the Commission has proposed a solidarity mechanism for situations of migratory pressure and to address the specificities of disembarkations following search and rescue operations based on compulsory contributions which also include relocation. The support from the EU Budget for such relocation will be a key element to support such relocations.

## REPLIES OF THE COMMISSION TO THE EUROPEAN COURT OF AUDITORS' REPORT ON THE PERFORMANCE OF THE EU BUDGET – STATUS AT THE END OF 2019

### CHAPTER 6 – GLOBAL EUROPE

#### INTRODUCTION

The European Neighbourhood Instrument (ENI) and the Development Cooperation Instrument (DCI) effectively supports the implementation of the 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda on financing for development and the Paris Agreement on Climate Change, globally and directly with partner countries. The EU's financial support has helped to improve the lives of millions of people worldwide, fights inequality and supports just and sustainable growth and societies around the world, that embrace human development and enable youth to fulfil its potential.

This shows that the Commission has continuously improved its approach to assessing performance of the external instruments at both programme and intervention levels and its reporting on progress achieved. The ENI is making progress towards achieving its objectives, in particular with regards to the number of mobility partnerships in place, for which the milestones were met and the performance is on track. The performance of the instruments is measured by using different tools, including indicators and performance assessment in the draft budget programme statements<sup>1</sup>, results oriented monitoring and indicators included in the annual report on the implementation of the European Union's instruments for financing external actions<sup>2</sup>, as well as project/programme-level and strategic-level evaluations<sup>3</sup>. Good progress has also been made in some key areas of the DCI, notably those related to Sustainable Development Goals (SDGs) for girls' access to education and reducing the prevalence of stunting among children under 5 years old. The Commission recognises however that further steps need to be taken to make performance measurement more robust to further account for DCI policy global objectives (poverty eradication to support sustainable development, support to human rights and to good governance). For the Neighbourhood, Development and International Cooperation Instrument (NDICI), the successor programme of DCI and ENI, the Commission has proposed a new mix of both impact and outcome/output indicators to reflect performance assessment more accurately in key areas of intervention to achieve its objectives. The Commission publishes comprehensive performance information through its annual report on the implementation of the EU's instruments for financing external action. The Commission is also publishing a report on the result achieved in relation to the EU's delivery on global commitments, based on the EU international cooperation and development results framework indicators.

#### The Development Cooperation Instrument (DCI)

**Figure 6.4** - The Commission considers that in general all the performance indicators included in the programme statements are relevant to the programme objectives.

---

<sup>1</sup>

[https://ec.europa.eu/info/sites/info/files/about\\_the\\_european\\_commission/eu\\_budget/db\\_2021\\_programme\\_statement\\_european\\_neighbourhood\\_instrument\\_eni.pdf](https://ec.europa.eu/info/sites/info/files/about_the_european_commission/eu_budget/db_2021_programme_statement_european_neighbourhood_instrument_eni.pdf)

<sup>2</sup> <https://ec.europa.eu/international-partnerships/system/files/devco-annual-report-2019-en-web.pdf>

<sup>3</sup> [https://ec.europa.eu/neighbourhood-enlargement/tenders/monitoring-and-evaluation\\_en](https://ec.europa.eu/neighbourhood-enlargement/tenders/monitoring-and-evaluation_en)

Setting targets at the start of the MFF period has the inherent risk that, over the lifetime of the programme, the targets become easier or more difficult to reach. This could be due to factors under the responsibility of the Commission, Member States, other partners and organisations, or to external factors.

Indicators by themselves do not necessarily reflect the attainment of programme objectives.

Therefore the fact that an indicator is (or is not) ‘on track’ to meet its target does not necessarily mean that the programme itself is (or is not) ‘on track’ to meet its objectives.

The indicator data should always be analysed in conjunction with other quantitative and qualitative information in order to assess the performance of the programme.

6.12 The Financial Regulation requires the Commission to report in the Programme Statements on all indicators set out in the legal bases of the spending programmes as agreed by the European Parliament and the Council based on proposals made by the Commission.

The choice of impact indicators reflects the aspirational character of the DCI’s objectives. The Annual report on the implementation of the European Union’s Instruments for Financing External Actions includes since 2015 a chapter on the results achieved, which is based on the EU result framework indicators that include several output and results indicators. Conceptually, the EU Result framework provides a coherent view of both the context and the results of specific interventions. Output level indicators provide a more direct link with the EU interventions, whereas results and impact-level indicators provide a much stronger indication of the policy objectives. Given the collaborative nature of development cooperation, the Commission applies a contribution approach to performance assessment. Following an attribution approach would require a substantial increase in the current investment in reporting and raising an important efficiency risk.

6.13 The Commission has made continuous efforts over the years to obtain additional donor funding for the EU trust funds (EUTFs).

Since its inception, the EUTF for Africa has obtained a substantial level of resources from the EU Member States and other donors totalling EUR 619 million (as of 30 September 2020), which represents 12.4 % of the total resources of the Trust Fund. Every single EU Member State as well as the United Kingdom, Switzerland and Norway have contributed to the EUTF for Africa. Since its creation, the EUTF Bêkou has nearly quintupled its financial resources, reaching pledges of EUR 308 million (as of 30 September 2020). Almost 30% of these pledges are coming from the Member States (and Switzerland). Moreover, donors’ expertise and experience has been mobilised by the EUTF for Africa on a regular basis through the identification, development and joint implementation of programmes. The EUTF Bêkou has also made efforts to reinforce the dialogue and coordination between the donors active in the Central African Republic.

6.15 The Commission is committed to Policy Coherence for Development. The Commission’s proposal for the regulation establishing the Neighbourhood, Development and International Cooperation Instrument (see COM(2018) 460 final) confirms the Commission’s intention to ensure coherence, consistency and complementarities (including policy coherence for development).

6.16 The Commission strives to address the ECA’s findings, and is taking action to implement its recommendations. The Commission’s commitment to implementing the ECA’s recommendations concerning EU external action is demonstrated by the results of the ECA’s follow-up of recommendations made in its 2016 special report on Honduras: the ECA concluded all recommendations have been fully implemented.

Regarding the findings in the ECA Special Report on EU Emergency Trust Fund (EUTF) for Africa, complementarity and synergies with EU actions under other instruments is systematically assessed. Coordination on the ground is ensured through regular donor and partner's coordination groups.

6.17 Since 2015, the Commission has put in place an EU Result Framework (EURF) that is used for Results Oriented Monitoring (ROM) of programmes and projects, and an Annual Result Reporting exercise. The EURF covers outputs, results and impacts.

6.18 The Commission has completed since 2014 27 evaluation reports related to international development and cooperation. In case of external assistance, only a selected number is subjected to a staff working document (SWD). Findings and recommendations of both country and thematic evaluation reports are duly taken into account at time of the programming and mid-term reviews of external action instruments. All strategic evaluation reports, including the findings and recommendations, are made public on the Commission's website.

6.19. The Commission remains committed to continuously improving its approach to assess performance at both programme and intervention levels.

Concerning the findings in the ECA Special Report on EUTF Africa, the Commission highlights that progress was made since the publication of the report. A Monitoring and Learning System (MLS) for the three windows of the EUTF for Africa is now in place and fully operational. Under the EUTF Monitoring and Learning System, a single results framework is shared across the three geographical windows. The EUTF common output indicators are part of this framework, which consists of 41 common output indicators that all projects report against. This system allows the common reporting on the EUTF Africa through quarterly reporting that is made publicly available. Regarding the Commission's practice of following up ECA audits in general, the Commission refers to its reply to paragraph 6.16.

6.24 While the Commission agrees with ECA's 2016 observations concerning a DCI-funded action which had mixed results in the education sector in Honduras, it nevertheless notes that in this case the auditors refer to a particular programme that ended its implementation in 2014.

6.26 The EU is firmly committed to the promotion and protection of all human rights, whether civil and political, economic, social and cultural rights, of democratic principles and the rule of law. These values are essential elements of the EU's partnerships and cooperation agreements with partner countries. In development cooperation, the EU usually works with and through governments and is therefore depending on political will and capacity of national administrations. During the implementation of EU-funded interventions, the EU aims at close coordination in the assessment and monitoring of fundamental values, referring to the analysis and priorities of the Human Rights country strategy and feeding this follow-up into its political dialogue with the partner country.

As stated in the European Consensus for Development, the EU and its Member States are progressively integrating the rights-based approach, encompassing all human rights, into all development cooperation programmes and actions. The Commission underlines that while supporting democracy, the rule of law, human rights and fundamental freedoms is a priority for the Commission, the process itself is challenging and highly politicized. In this context, it is challenging also to measure it in terms of results.

The EU programmes aiming to support the aforesaid values made a significant contribution to progress in many countries. The results are sometimes mixed, as a number of serious obstacles to supporting democratic reforms can emerge, often due to factors outside the EU's control.

6.27 Concerning EU support to human rights, the Commission refers to its replies to paragraph 6.26.

Insofar the references to Myanmar are concerned, the Commission underlines that the country evaluation covered EU cooperation up to 2017. Following the 2017 mid-term review of the 2014-2020 Multiannual Indicative Programme (MIP) for Myanmar, the Commission allocated an additional amount of EUR 5 million for specific mainstreamed gender activities to a livelihood programme.

#### European Neighbourhood Instrument (ENI)

6.31 Since 2015, the Commission has put in place an EU Result Framework (EURF) that is used for Results Oriented Monitoring of programmes and projects, and an Annual Result Reporting exercise for the ENI. The EURF covers outputs, results and impacts.

**Figure 6.10** - Please see the Commission reply to Figure 6.4

6.34 The Financial Regulation requires the Commission to report in the Programme Statements on all indicators set out in the legal bases of the spending programmes as agreed by the European Parliament and the Council based on proposals made by the Commission.

The indicators have been identified by taking into account the non-exhaustive list of areas to be covered, which is specified in the ENI regulation. The mix of indicators, which is made primarily of impact but also output and results indicators, has been selected to provide an understanding of the performance of the programme.

6.37 The Commission welcomes the recognition of the usefulness and effectiveness of tools such as dialogue, twinning and EUTFs. The ENI has helped boost reforms in areas where the EU and the partner country have common interests or address the concerns of the citizens. For Azerbaijan more specifically, following a re-engagement with the country at all levels in 2017 and the adoption of EU-AZ Partnership Priorities in 2018, engagement with Azerbaijan has broadened to cover the areas of governance, economy, connectivity and people-to-people contacts. This assistance will be closely linked with political and sectoral dialogues using them more strategically to monitor implementation of reforms.

As regards civil society, the EU continues to provide financial support in a context of continued tightening of space, including restrictive NGO legislation.

6.38 Needs assessments are covered under the relevance criterion of the five Better Regulation evaluation criteria, although in some evaluations explicit reference may not always be made to such assessments<sup>4</sup>. Furthermore, needs assessments are the basis of the logical frameworks for the Action Documents, the main annual programming documents.

6.39 The Commission refers to its reply in paragraph 6.31.

6.40 The indicators used for monitoring specific objectives are a mix of output or impact indicators, rather than result indicators. At the time when the programme statement indicators were set, the

---

<sup>4</sup> [https://ec.europa.eu/info/sites/info/files/file\\_import/better-regulation-toolbox-47\\_en\\_0.pdf](https://ec.europa.eu/info/sites/info/files/file_import/better-regulation-toolbox-47_en_0.pdf)

performance systems were not fully developed and the Commission did not have the array of result indicators that it currently has and uses.

6.41 DG NEAR has invested substantial time and effort into strengthening the capacity of its staff and key stakeholders, notably through the monitoring and evaluation function and the team dedicated to budget support.

DG NEAR manages a portfolio of thousands of projects. Monitoring is a function of several parameters, such as availability of specific expertise, the safety of the implementation context, the remoteness of the activities, and the need to ensure proportionality in the administrative cost of monitoring and control compared to the investment.

The Commission is continuously working on improving the formulation of the indicators used for the disbursement of budget support contracts. The oversight of new budget support contracts has been reinforced.

6.42 The Commission duly assesses all external evaluation conclusions. Not all evaluations lead to a Staff Working Document, however, this does not mean that the external evaluations' conclusions are not assessed.

The Better Regulation Framework introduced Staff Working Documents (SWD) that formalise, in a self-standing document, the Commission's perspective regarding findings and conclusions reached by external evaluations. In particular, a Follow-up Action Plan is established following the publication of every external evaluation, which provides the services' acceptance or rejection of the recommendations from the evaluation. An additional review of the Follow-up Action Plan is carried out a year later, outlining implementation progress. For DG NEAR the learning resulting from the evaluation function is primarily based on the numerous operational and strategic evaluations, which are carried out and published, although not all result in the publication of a formal SWD.

First indent - The Commission was aware of certain weaknesses in the economic governance evaluation and made a judgment on the extent to which the conclusions of the evaluation were affected by the weaknesses in the evaluation process. Despite the known weaknesses, the conclusions of the external evaluation were considered valid.

Second indent - The Commission published the external evaluation report because it considered it to be of the required quality and to meet the relevant standards.

Third indent - Concerning the evaluation on public administration reform, the Commission and the contractor agreed to terminate the contract following an irreconcilable difference between the parties.

6.43 While as of 1 Jan 2020, the executed payments represented 42% of the financial planning for 2014-2020, they are executed at almost 100% of the planned payments

Programmes fostering complex, long-term structural reforms require, by their nature, a long implementation period.

The external action programmes are characterised by medium and long-term implementation, and there is a common understanding of this by the stakeholders. This is also recognised in the current legal basis and the post-2020 NDICI proposal, as the final evaluations are planned only at the mid-term of the next MFF.

6.45 In relation to the establishment of deep and sustainable democracy, with the replacement of annual reports by country reports for relevant countries, data collection has been less systematic for this indicator. As the set of indicators for the ENI Programme Statement was defined at the inception of the implementation period, there is very little room for changing or dropping indicators during the implementation of the instrument even if an indicator becomes obsolete.

6.46 The evaluators did not have access to the information concerning the ‘umbrella programme’ because of its sensitive nature.

6.48 The Commission maintains the rule of law at the top of its political engagement and dialogue with third countries, seeking consensus on reforms. The approach is cross cutting, examining the performance of institutions and the adequacy of legislation. When engaging third countries on the identification of priorities for EU support, the Commission takes a long-term view, promoting meaningful and structured actions in relevant areas.

6.55 Concerning the observation on security sector reform in Georgia, the Commission would like to provide further context. Following the adoption of the law on the state inspector service 2018, the independent investigation mechanism with a mandate to investigate crimes committed by law enforcement officials, was established in May 2019. It became operational in November 2019, and by June 2020, 16 investigators and 6 operative workers had been recruited for three offices, of which two are in Tbilisi and one in Kutaisi.

**Box 6.3 - DCI project with no clear targets** - The Commission is following up on the ECA’s findings. The programme in question functions as a framework to identify and allocate resources through its instruments to underlying eligible infrastructure investment projects. Therefore, its achievements are to be examined through the expected results foreseen under the different projects approved and their contributions towards the programme’s high level expected results and indicators.

The audited programme was subject to a Mid-Term Evaluation report. Targets and milestones to track performance were proposed and discussed with partners on the basis of the evaluation report. However, these targets will only be officially established when the ongoing reconfiguration negotiations of the programme are concluded.

## CONCLUSIONS

6.57 The Commission publishes comprehensive performance information. In the case of DCI, the information on performance has been increasing over the period of application both in quantitative and qualitative terms. During the period, the Commission has issued, in addition to 40 evaluation reports related to development cooperation and cooperation with neighbourhood countries, two dedicated reports on results achieved with details on specific projects in different geographical areas. Since 2015, the Annual Report on the implementation of the European Union’s Instruments for Financing External Actions details, for both DCI and ENI, result reporting on both qualitative and quantitative grounds. Therefore, the annual report provides a fair view on how DCI and ENI perform in pursuing the relevant EU global objectives.

6.58. The indicators for both the DCI and the ENI are a mix of output or impact indicators. At the time when the programme statement indicators were set, the Commission did not have the array of result indicators that it currently has and uses.

Since 2015 the Annual report on the implementation of the European Union’s Instruments for Financing External Actions includes a chapter on the results achieved based on the EU result framework indicators (output and outcome). The EU Result framework provides a coherent view of



both the context and the results of specific interventions. Output indicators provide a more direct link with the EU interventions, whereas outcome and impact indicators provide a much stronger indication of the policy objectives.

For the Neighbourhood, Development and International Cooperation Instrument (NDICI), the successor programme of DCI and ENI, the Commission has proposed, for the first time, a list of indicators, which now include a new mix of both impact and results indicators measure performance in key areas of intervention.

6.60 The EU is firmly committed to the fundamental values of human rights, democracy and rule of law, which are essential elements of all the EU's partnerships and cooperation agreements with third countries.

The Commission underlines that while the process of supporting democracy, the rule of law, human rights and fundamental freedoms is in itself complicated, highly politicised and context-specific, it is also challenging to measure in terms of results.

The Commission remains committed to continuously improving its approach to assess performance at both programme and project levels. To this end, the Commission is also taking action to address the ECA's findings and implement the accepted recommendations made in its special reports.



## REPLIES OF THE COMMISSION TO THE EUROPEAN COURT OF AUDITORS' REPORT ON THE PERFORMANCE OF THE EU BUDGET – STATUS AT THE END OF 2019

### “CHAPTER 7: FOLLOW-UP OF RECOMMENDATIONS”

#### INTRODUCTION

7.8 In its official replies published together with the corresponding ECA's reports, the Commission provided justifications for all cases where it considered that it could not commit to implement the specific recommendations.

#### **Box 7.3 Examples of not accepted recommendations that have not been implemented**

The Commission clearly presented the underlying reasons for not accepting some of the ECA's recommendations formulated in the special reports No 19/2016, No 17/2016 and No 26/2016. These were confirmed later on in the detailed replies to the European Parliament<sup>1</sup>, complementing the Commission report on the Follow-up to the discharge for the 2015 financial year<sup>2</sup>.

In relation to the special report 19/2016 “Implementing the EU budget through financial instruments – lessons to be learnt from the 2007-2013 programme period”, the Commission raised concerns with the feasibility and proportionality of recommendation 12. The comparative analysis recommended by ECA would require a significant effort by Member States as it would entail isolating the costs for grants and financial instruments borne by each Managing Authority. This exercise would often require splitting the hours worked by each employee on financial instruments and grants, respectively, as often the same staff would be working on both. Such effort would be disproportionate. Moreover, the cost structures of grants and financial instruments are different by nature, therefore the value added of such exercise would be limited.

Lastly, when in 2015 ECA recommended that the Commission carry out a comparative analysis of the implementation costs of ESF grants and financial instruments<sup>3</sup>, the Council concurred with the Commission that implementing such recommendation would be difficult<sup>4</sup>.

In relation to the special report 17/2016 “The EU institutions can do more to facilitate access to their public procurement”, the Commission reiterates that the 2012 Financial Regulation already contained adequate provisions in this respect. Those provisions have been maintained in the 2018 Financial Regulation.

The unsuccessful tenderers are notified of the grounds and detailed reasons for their rejection and they may request additional information. Such requests are subject to a strict deadline: the contracting authority must provide this information as soon as possible and in any case within 15 days of receiving the request.

<sup>1</sup> <https://www.europarl.europa.eu/cmsdata/129482/2017-10-10-Draft%20EP%20Detailed%20replies%20FINAL.PDF>

<sup>2</sup> COM(2017) 379 final.

<sup>3</sup> ECA Special Report 8/2015 “Is EU financial support adequately addressing the needs of micro-entrepreneurs?”.

<sup>4</sup> Council conclusions 14194/15 adopted at its 3427th meeting of 17 November 2015.

In addition, whenever an act adversely affecting the rights of the candidates or tenderers is notified to the economic operators in the course of a procurement procedure (e.g. rejection), such notification will refer to the available means of redress (Ombudsman complaint and judicial review).

Concerning the special report No 26/2016 “Making cross compliance more effective and achieving simplification remains challenging”, the Commission reiterates that it does not accept recommendation 3. The recommendation would not simplify cross-compliance but de facto reduce its scope. The simplification of the cross-compliance scope has been already carried out several times in the past. Moreover, Member States have now a wide margin of manoeuvre to take into account the risks in the control sampling and to optimise their control systems. The Commission considers that this recommendation might result in loosening the rules on on-the-spot checks, which would ultimately undermine the effectiveness of cross-compliance.

7.10 Common Commission reply to paragraphs 7.10-7.12.

The vast majority of ECA's recommendations are accepted by the Commission, showing a large convergence of views and conclusions between both institutions. The Commission gives the utmost importance to follow-up and implement these recommendations. It cannot however, be excluded that the ECA considers recommendations partially implemented whereas the Commission considers them fully implemented.

## **CONCLUSION**

7.15 The Commission points out that ECA's recommendations addressed to it are of, sometimes, complex nature. They may depend on external factors, interventions by Member States or other partners and stakeholders, or still unknown features such as design of future legislation, programmes and schemes. They cover not only policy implementation aspects but also policy design, sometimes on fairly wide or cross-cutting aspects.

The Commission gives the utmost importance to implement all accepted ECA's recommendations. The follow-up and implementation are an integral part of the Commission's governance system.

## **REPLIES OF THE COMMISSION TO ANNEX 7.1 “DETAILED STATUS OF 2016 RECOMMENDATIONS BY REPORT – EUROPEAN COMMISSION”**

**Special Report 1/2016: Is the Commission's system for performance measurement in relation to farmers' incomes well designed and based on sound data?**

*Reply to recommendation 1, paragraph 92:* The Commission partially accepted the recommendation and considers the recommendation as fully implemented for the part it has accepted. As regards the measurement of the disposable income of farm households, this depends amongst others on the off-farm income of family members, and on policies that are of national competence and very diverse among Member States. It is hard to see the relevance of the CAP to those measures, and even harder to compare the causality of differences in household income levels when these are driven by so many different factors.

A legal basis for such a framework would be very difficult to establish since it would lead to a highly increased administrative burden that outweighs potential benefits. In 2002, Eurostat ceased the collection of data on the disposable income of farm households from the limited number of Member States providing it.

*Reply to recommendation 2 (first indent), paragraph 94:* The issue of more detailed information on the factors impacting agricultural income was reviewed with the experts from the Member States. As a result, the Commission will continue investigating the possibilities to further develop the agricultural accounts so that their potential could be better used in order to provide more detailed information on the factors impacting agricultural income. As regards agricultural land prices and rents statistics, a regular production under a European Statistical System agreement has been established. The next step, as foreseen, is to propose the inclusion of these statistics in a regulation. Work on this is currently in progress.

*Reply to recommendation 2 (second indent), paragraph 94:* In order to eventually integrate regional agricultural accounts into the Regulation (EC) No 138/2004 concerning Economic Accounts for Agriculture, the Commission has, in 2020, already presented to expert groups, the content of a draft proposal to the Council and European Parliament showing the necessary amendments. Thereafter, according to its right of initiative, the Commission will take the necessary required preparatory legislative steps.

*Reply to recommendation 2 (fourth indent), paragraph 94:* The Commission considers the recommendation as fully implemented. The Commission is of the view that EAA-based income indicators are comparable across Member States, except for figures on annual work units in absolute terms. These are used in certain indicators to show differences in the absolute levels of agricultural income among countries, which cannot be done by using indices. Where absolute figures are used, the necessary disclaimers accompany them.

*Reply to recommendation 4, paragraph 96:* The Commission has issued reminders for Economic Accounts for Agriculture quality reports to the missing countries with a set deadline. Thereafter, the Commission will produce an EU level quality report during 2021, even if there are still missing countries.

*Reply to recommendation 5, paragraph 98:* The Commission considers the recommendation as fully implemented.

*Reply to recommendation 6 (first indent), paragraph 100:* The Commission considers the recommendation as fully implemented. The Commission adopted a legislative proposal for a CAP Strategic Plan Regulation for the post 2020 programming period including a new delivery mechanism for the CAP. This includes specific objectives and a performance framework with clear targets and milestones allowing the measurement of performance of the Member States CAP plans in relation to farmer's income. Member States have to perform a SWOT analysis to assess the needs for the agricultural sector and rural development and, based on these needs, design appropriate interventions. The SWOT analysis presents the evidence and needs to provide an overview of the current situation. As the CAP falls under shared management, Member States will set quantified targets for result indicators in their CAP Strategic Plans.

### **Special Report 2/2016: 2014 report on the follow-up of the European Court of Auditors' Special Reports**

*Reply to recommendation, paragraph 29 (a):* In the context of regular stock-taking exercises, all Commission departments are reminded to provide comprehensive replies to ECA's recommendations, with supporting documentary evidence, whenever necessary. The Commission departments shall ensure that appropriate documentary evidence for the actions is available.

*Reply to recommendation, paragraph 29 (d):* The Commission departments flag a recommendation as being 'partially implemented' when the actions and measures have been launched but are not entirely

completed. This category is a non-definitive assessment of a recommendation in the process of being implemented. The ECA has a different perspective as it assesses the implementation of a recommendation ex post at a certain point in time. It cannot however, be excluded that the ECA considers recommendations partially implemented whereas the Commission considers them fully implemented.

**Special Report 5/2016: Has the Commission ensured effective implementation of the Services Directive?**

*Reply to recommendation 7, paragraph 119:* The Commission partially accepted the recommendation and considers that it has fully implemented the part where it has committed to take actions. The Court of Justice acknowledges the presumption of non-disclosure of documents concerning an infringement procedure during the pre-litigation stage of that procedure. This applies to the informal dialogue carried out in EU Pilot. The Commission publishes general information and statistics regarding EU Pilot on a regular basis.

**Special Report 6/2016: Eradication, control and monitoring programmes to contain animal diseases**

*Reply to recommendation, paragraph 72 (a):* It is important to note that the existing animal disease notification system (ADNS) is still in active use and its functionalities are improved on a regular basis to ensure the exchange of epidemiological information between Member States. The new system, ADIS, is being developed in parallel around the objective of avoiding double entry of data into the EU and OIE<sup>5</sup> notification systems. The transfer of the EU data to the OIE-WAHIS notification system will be automatic. At the same time, ADIS will include both the “outbreak” concept as well as the “disease event” approach. Linking these two approaches will enable searching and visualising data using both search parameters. In addition, new tools for data extraction and visualisation will be included into ADIS.

**Special Report 8/2016: Rail freight transport in the EU still not on the right track**

*Reply to recommendation 4 (a), paragraph 97:* The implementation of the recommendation is ongoing. In the frame of the evaluation of the Regulation (EU) 913/2010 concerning a European rail network for competitive freight (RFC Regulation), which is ongoing, the Commission works with RailNetEurope as data provider on the development of rail freight and will gather and analyse data on the development of rail freight.

As a result, a table will show the performance of rail freight towards other modes of transport. As regards intermediate targets, they will be eventually considered, if appropriate, in the context of the new transport policy following the 2011 Transport White Paper.

*Reply to recommendation 4 (b), paragraph 97:* The Commission considers that it has implemented the recommendation. Rail stakeholders carry out regular surveys on users’ satisfaction, in accordance with the legislation in force. In particular, pursuant to Article 19(3) of Regulation (EU) 2010/913, the management board of each rail freight corridor “shall organise a satisfaction survey of the users of the freight corridor and shall publish the results of it once a year”.

---

<sup>5</sup> OIE is the World Organisation for Animal Health, operating the World Animal Health Information System (WAHIS). Since 2012, a joint project between the Commission and OIE has worked on linking the ADNS and WAHIS systems with a common interface called Animal Disease Information System (ADIS).

While these surveys focus on the part of the rail network most relevant for freight transport, they address users that are also active on the entire rail network. In this light, the surveys are representatives of the opinion of all rail users.

The Commission uses evidence of user satisfaction from various sources, including, statistics, meetings and workshops. Furthermore, it will consider reporting on the results of the surveys carried out in the context of rail freight corridors in its forthcoming report on rail market monitoring.

*Reply to recommendation 8, paragraph 100:* The Commission noted that the first part of the recommendation was addressed to the Member States and accepted the second part of the recommendation.

The Commission ensured that Member States had properly transposed the provisions of Article 8 of Directive 2012/34/EU and conducted a survey on its implementation; thereby implementing the recommendation to "verify the implementation of the strategies". On a longer term, the Commission keeps monitoring the issue, but these actions go beyond the initial recommendation. The Commission recently sent a questionnaire to Member States and rail infrastructure managers focussing on the practical implementation of Article 30 of Directive 2012/34/EU concerning the planning and financing of rail infrastructure and the impact of infrastructure works on rail freight. The questionnaire also covers quantitative aspects of maintenance and renewal of rail infrastructure as per the agreed business plans and indicative infrastructure development strategies. The Commission intends to launch a study on the various national funding mechanisms that may affect the rail market and the performance of infrastructure managers.

#### **Special Report 10/2016: Further improvements needed to ensure effective implementation of the excessive deficit procedure**

*Reply to recommendation 3, paragraph 135:* Eurostat will continue implementing improvements in order to resolve the issues.

*Reply to recommendation 3, paragraph 135:* Eurostat will continue implementing improvements in order to resolve the issues.

*Reply to recommendation 8, paragraph 143:* The Commission confirms that no Member State is subject to an EDP on the basis of non-compliance with the debt criterion. The Commission further confirms that it has not included debt-to-GDP levels in its EDP recommendations since the publication of Special Report 10/2016. The Commission argues that governments have less control over the debt-to-GDP ratio than the deficit-to GDP ratio. Annual debt-to-GDP ratios implied by recommended deficit targets and underlying macroeconomic assumptions can be computed, but including such computations in the EDP recommendation itself could lead external observers to mistakenly believe that achievement of those ratios would form part of the compliance assessment, undermining the credibility of the Commission and the Pact. Furthermore, a Member State could achieve the recommended deficit adjustment but not reach the debt-to-GDP ratio implied by the assumptions underlying the recommendation if macroeconomic outcomes turned out to differ significantly from those assumptions.

The Commission published its Communication on the economic governance review in February 2020 and, as a result, the Commission may address ways to simplify implementation of the Pact, possibly covering the prevention and correction of high public debt levels. Furthermore, on 20 May, the Commission published a number of Article 126(3) reports, including for Member States with an observed breach of the debt criterion. Also, as the Commission Communication on the 2020 European Semester: Country-specific recommendations, underlines: "it should be ensured that, when economic

conditions will allow, Member States pursue fiscal policies to achieve prudent medium-term fiscal positions and ensure debt sustainability”. On this basis, the Commission considers the recommendation fully implemented.

#### **Special Report 18/2016: The EU system for the certification of sustainable biofuels**

*Reply to recommendation 1 (a), paragraph 76:* The Commission partially accepted the recommendation. The Commission considers that it has implemented the recommendation as far as its partial acceptance. It is important to recall that the Commission is required to assess the voluntary scheme against the requirements contained in Renewable Energy Directive (Directive (EU) 2009/28/EC) (RED) and in the future on the criteria set out in the recast of this Directive. While the co-legislators decided to include a framework addressing Indirect Land Use Change (ILUC) in the new Directive, social criteria are not covered. Therefore, the Commission is not in a position to oblige the certification schemes to cover such criteria and considers that the recommendation has been implemented to the degree this is legally possible.

The socioeconomic aspects are outside of the scope of voluntary schemes as per the text of the revised Renewable Energy Directive (Directive (EU) 2018/2001) (RED II).

*Reply to recommendation 1 (b), paragraph 76:* The Commission accepted the recommendation. Article 17(6) of the Renewable Energy Directive (Directive (EU) 2009/28/EC) (RED) includes EU environmental requirements for agriculture as a sustainability criterion for biofuel feedstock cultivated in the European Union. However, the RED does not oblige the Member States to verify compliance with Article 17(6) of the RED because these environmental requirements are already subject to management and control systems under the specific environmental Directives and Regulations and the CAP. These environmental requirements included in Article 17(6) of the RED are therefore not part of the formal recognition by the Commission of the voluntary schemes.

*Reply to recommendation 3 (a), paragraph 78:* The Commission considers that it has implemented the recommendation. The recast Renewable Energy Directive (Directive (EU) 2018/2001) (RED II) empowers the Commission to set out detailed rules for the operation of voluntary schemes in implementing acts (Article 30(8)), which will allow setting out detailed certification rules in a formal process. This may also include rules, which types of information voluntary schemes have to provide in case their operation is scrutinised by the Commission. Gathering information itself for instance by conducting audits would go beyond the scope of RED II.

*Reply to recommendation 3 (b), paragraph 78:* The Commission considers this recommendation as implemented given that 1) ad hoc measures have been taken to ensure the introduction of complaint systems by voluntary schemes in the context of the assessment of voluntary schemes and 2) the recast Renewable Energy Directive (Directive (EU) 2018/2001) was significantly improved including by empowering the Commission to set out detailed rules for the operation of voluntary schemes in implementing acts, which will allow setting out detailed rules in a formal process. The work on the implementing rules will continue.

#### **Special Report 19/2016: Implementing the EU budget through financial instruments – lessons to be learnt from the 2007-2013 programme period**

*Reply to recommendation 3, paragraph 154:* The Commission did not accept the recommendation.

#### **Special Report 23/2016: Maritime transport in the EU in troubled waters much ineffective and unsustainable investment**



*Reply to recommendation 1 (a), paragraph 105:* The Commission considers this recommendation as implemented. The monitoring system has been put in place by the inclusion of a specific parameter on the “throughput capacity” of ports in the TENTec database. The TENTec database covers all ports on the TEN-T network and is not limited to CEF co-financed actions. The Commission will continue working with its external consultant to ensure that data will be added to the TENTec database and updated as new information become available.

*Reply to recommendation 1 (b), paragraph 105:* The Commission accepted the recommendation, with a deadline for implementation in 2023, thus the recommendation is not yet due.

The on-going TEN-T evaluation study looks, among other issues, into the methodology applied for defining the TEN-T, including also the definition of TEN-T ports. Following this evaluation process and depending on its results, the Commission, if appropriate, will present a legislative proposal for a revised TEN-T Regulation possibly in 2021. This would anticipate the date foreseen in the TEN-T Regulation, which provides for a review by 2023 and would allow the Commission to close the recommendation earlier as well, i.e. by 2021.

*Reply to recommendation 1 (c), paragraph 105:* The Commission considers this recommendation as implemented and confirms that the latest Detailed Implementation Plan (DIP) for Motorways of the Sea has been finalised and was published on 29 June 2020.

#### **Special Report 26/2016: Making cross- compliance more effective and achieving simplification remains challenging**

*Reply to recommendation 1, paragraph 74:* The Commission considers the recommendation as fully implemented. The Commission has indeed examined the ECA suggestion to introduce an indicator based on the rate of non-compliance. However, the conclusion of this assessment is that the rate of non-compliance is not at this stage a suitable performance indicator because although that rate depends on the farmers’ awareness, it is also affected by the variable quality of the Member States’ control systems. Currently, the performance of cross-compliance continues being measured in relation to its objectives. The development of a sustainable agriculture through awareness-raising of farmers of the respect of mandatory rules is in particular assessed by the share of CAP payments covered by cross-compliance and potentially be reduced in case of infringement. For the future CAP the Commission is also proposing to include the number of hectares covered by conditionality, which is linked to the environmental and climate outcome of the future conditionality. Indeed the bigger the area covered by practices under conditionality, the higher the benefit for the environment and climate.

*Reply to recommendation 2, paragraph 75:* The Commission considers the recommendation as fully implemented. The exchanges between concerned Directorates-General (DGs) are now on-going and DG ENV has received and analysed the results of the DG AGRI statistics.

*Reply to recommendation 5, paragraph 78:* The Commission partially accepted the recommendation. The Commission considers the recommendation as fully implemented for the part it has accepted. The Commission has published an evaluation study on administrative costs, including for the management of cross-compliance. On this basis, it is the responsibility of Member States to coordinate the management system of cross-compliance to reduce the costs for both farmers and national administrations.

*Reply to recommendation 6, paragraph 79:* The Commission considers the recommendation as fully implemented. The future delegated and implementing acts are not yet adopted.

#### **Special Report 27/2016: Governance at the European Commission – best practice**

*Reply to recommendation 1, paragraph 66:* The Commission considers this recommendation to be fully implemented. This recommendation covers all aspects addressed by the Court in its recommendations 2a to 2h (update of the Charter of the Audit Progress Committee, C(2017) 2225 final). The Commission has updated its governance arrangements three times since the end of the ECA's field work, in October 2017, with an important further streamlining and strengthening in November 2018 which included a communication explaining the rationale for the changes made, and again in June 2020 following the institutional transition (C(2020) 4240). These improvements were very much inspired by the audit findings of both the European Court of Auditors and the Commission's Internal Audit Service. The Commission complies with all relevant legislation and best practices insofar as they are relevant to its unique nature and operating environment, and provides a high degree of transparency on the design and functioning of its governance arrangements. The Commission has reported in the 2018 Annual Management and Performance Report (AMPR) that it considers that it complies in full with the applicable framework. The Commission has been fully transparent about its decisions.

*Reply to recommendation 2 (e), paragraph 66:* The Commission considers this recommendation to be fully implemented. As acknowledged by the ECA, the Commission publishes all the reports in the integrated financial and accountability reporting package (IFAR) in full respect of the deadlines agreed by the co-legislators. Where possible, for example as regards the annual accounts, arrangements have been found to provide the necessary information earlier. The accounts are fully audited by ECA before inclusion in IFAR package. In other areas, constraints on the availability of data mean that significantly earlier delivery would not be possible. The fact that the Commission relies on the Member States for providing necessary data is the reason why the Commission could only accept this recommendation partially. The Commission notes that the ECA has decided to publish the Report on the Performance of the EU budget later in the year in order to allow more time for the scrutiny of the information provided by the Commission in the integrated financial and accountability reporting package.

*Reply to recommendation 2 (f), paragraph 66:* For management and accountability purposes, the Commission departments provide best estimates on the levels of error based on a consistent methodology in their area of responsibility. All relevant information, including the audit results on the basis of statistically representative samples, and using professional judgement, are taken into account. Furthermore, the estimated amounts at risk at the moment of payment and the estimated amounts at risk at closure, once all corrective activities to recover amounts unduly paid have been implemented, are provided in the Annual Management and Performance Report.

Therefore, the methodology used to determine the estimated level of error is harmonised and thus consistent across the Commission, while allowing the specificities of management modes and sectoral programmes to be taken into account.

In the 2018 and 2019 AMPR, the Commission has further streamlined the information on the estimated level of error to better explain the concepts of “risk at payment” and “risk at closure” applied consistently by all departments (see 2018 AMPR page 151 and 2019 AMPR page 56). For full transparency, the underlying information collected at Authorising Officer by Delegation level and used for the calculation of the risk at payment and at closure for the whole Commission are disclosed in Annex 2 (AMPR 2018) and Annex 3 (AMPR 2019).

Concerning Cohesion Area, the Directorates-General in their Annual Activity Reports (AARs) 2018 and 2019 were adapting their Key Performance Indicator 5 (amount at risk at payment) to the ECA request, using the error rates confirmed by the Commission Services on the closed accounting years taking into account the ECA's revision. In relation to the 2019 AARs, the Commission reports in the



AARs the error rates for the ERDF, CF and ESF, which once aggregated, are within a range of 2,3 % to 3,3 % for cohesion policy (see Box 5.9.).

*Reply to recommendation 2 (g), paragraph 66:* The Commission considers this recommendation to be fully implemented. The Commission has published a statement of its governance arrangements and complements this with annual reporting on key developments in relation to their implementation in the Annual Management and Performance Report. The governance arrangements are updated whenever necessary. The changes resulting from the institutional transition have already been made public through the Working Methods of the European Commission [P(2019) 2] and have been reflected in the update of the governance arrangements in June 2020 (C(2020)4240). The specific issue relating to the composition of the Audit Progress Committee is covered under 1 and 2h.

*Reply to recommendation 2 (h), paragraph 66:* The Commission considers this recommendation to be fully implemented. The Commission continues to consider that the best practice cited by the ECA for audit committees is not relevant for internal audit progress committees, which was also the reason for the partial acceptance of the recommendation at the time of the audit. Regarding the 'number of independent APC members': the Commission complies in full with the applicable legal framework, namely the Financial Regulation. Article 123 of the Financial Regulation provides that each Union institution takes into account its organisational autonomy and the importance of independent expert advice. The Financial Regulation does not oblige Union institutions to establish audit committees. It provides for internal audit progress committees with a role which is specifically designed for the EU institutions, which are unique bodies operating in a unique environment under a unique legal order. It also recognises that each institution operates in a specific environment and must organise itself accordingly in full autonomy. The importance of independent expert advice has been recognised in the present composition of the APC which has three external members. The Charter of the APC provides that up to four external members may be appointed. The Commission has been fully transparent about its decisions on the composition of the Audit Progress Committee (C(2017) 2225 final).

### **Special Report 31/2016: Spending at least one euro in every five from the EU budget on climate action ambitious work underway but at serious risk of falling short**

*Reply to recommendation 2 (a), paragraph 95:* The Commission partially accepted the recommendation. While the Commission does not include comprehensive information on the progress towards the specific targets for climate action in all relevant annual activity reports, it will consider further improvement in the reporting for the 2021-2027 period.

*Reply to recommendation 3, paragraph 96:* The Commission partially accepted the recommendation. The National Energy and Climate Plans (NECPs), required under the Regulation on the governance of the energy union and climate action (EU) 2018/1999, serve as an instrument for Member States to outline their ambitions regarding mitigation and adaptation activities and the corresponding investments required to meet those ambitions.

[https://ec.europa.eu/info/energy-climate-change-environment/overall-targets/national-energy-and-climate-plans-necps\\_en](https://ec.europa.eu/info/energy-climate-change-environment/overall-targets/national-energy-and-climate-plans-necps_en)

*Reply to recommendation 4, paragraph 100:* The Commission partially accepted the recommendation. The recommendation is fully implemented for the part that was accepted, as the climate co-efficient for payments for natural or other area-specific constraints has been adjusted.

The Commission considers that the proposed 100% climate coefficient for all EAFRD interventions programmed under the environment and climate related specific objectives is appropriate. In

particular, agri-environment-climate commitments address a series of inextricably inter-linked environment and climate objectives and are important to strengthen the resilience of ecosystems to adapt to climate change. Also, taking into account the diversity and complexity of those commitments, a case-by case approach would render the tracking exercise immensely burdensome and the results non comparable. The proposed tracking coefficients for EAFRD strike the balance between a reasonably reliable estimate for climate related expenditure and minimising the administrative burden.

*Reply to recommendation 5, paragraph 102:* The Commission partially accepted the recommendation.

*Reply to recommendation 6 (b), paragraph 103:* The Commission has included climate-related result indicators to the legislative proposal for the LIFE programme 2021-2027.

*Reply to recommendation 7 (a), paragraph 109:* The Commission partially accepted the recommendation.

*Reply to recommendation 7 (b), paragraph 109:* The Commission did not accept the recommendation, but informed the ECA that the CAP reform proposal would enhance the environmental and climate ambition. The proposal contains strong elements for increasing the overall contribution concerning climate and environment targets and requirements ('no-backsliding' principle), including a target based approach for EAFG and EAFRD support, enhanced conditionality encompassing new requirements for the protection of peat and wetlands, new eco-schemes and targeted support for climate and environment under rural development.

The EMFF post 2020 has an expected contribution of 30% of its budget to climate objectives. Climate coefficients (Rio Markers) are assigned for all expenditure under the EMFF post 2020 (EMFF Annex IV) so that all expenditure can be tracked and linked to climate.

Furthermore, around 90% of operations in the EMFF are expected to fall under Policy Objective 2 of the CPR; which emphasises actions that are green, low-carbon, and those supporting climate adaptation and risk prevention and management.

### **Special Report 34/2016: Combating Food Waste an opportunity for the EU to improve the resource-efficiency of the food supply chain**

*Reply to recommendation 1, paragraph 84:* The European Green Deal, adopted on 11 December 2019, foresees the adoption of a 'Farm to Fork Strategy' to design a fair, healthy and environmentally friendly food system. The 'Farm to Fork Strategy' was adopted on 20 May 2020. Food loss and waste prevention is an integral part of this strategy. A set of actions was introduced in a dedicated section, and food waste is also reflected in other actions of the strategy.

*Reply to recommendation 2 (c), paragraph 86:* On the basis of EFSA's work the Commission adopted a notice providing guidance on food safety management systems for food retail activities, including food donations (Commission Notice C/2020/294 adopted on 12 July 2020<sup>6</sup>).

Concerning the prevention of labelling practices that generate food waste, the Commission is exploring options for more effective use and understanding of date marking. According to the Farm to Fork Strategy, adopted in May 2020, the Commission will prepare a proposal for a revision of EU

---

<sup>6</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C:2020:199:FULL&from=EN>

rules on date marking by 2022. EFSA's scientific work will also benefit from the review of relevant EU rules.

*Reply to recommendation 3 (a), paragraph 87:* The Commission considers the recommendation to be fully implemented. It received the final version of the Pilot Project's report on the mapping and analysis of policy and regulatory frameworks in Member States in the area of food redistribution from the external contractor on 31 March 2020 after it had been validated by the Member States representatives participating in the EU Platform on Food Losses and Food Waste<sup>7</sup>. This validation was deemed necessary given the comprehensive nature of the analysis including information on all Member States.

### **Special Report 36/2016: An assessment of the arrangements for closure of the 2007-2013 cohesion and rural development programmes**

*Reply to recommendation 2, paragraph 127:* The Commission did not accept the recommendation.

For the 2014-2020 period, for the EAFRD, the Commission calculates the following indicators: a reported error rate and an adjusted error rate at Paying Agency level each year and an estimated final amount at risk at Fund level. Similar to the period 2007-2013, for the 2014-2020 programmes, the Commission will report in its AAR on the closure balance for each Paying Agency, including an estimated amount at risk.

For the post 2020 period, in view of the introduction of the New Delivery Model for CAP post-2020, there will be a shift from a compliance-based to a performance-based system. Following the adoption of the new legal basis governing the post 2020 period, the Commission will adjust its reporting in the AAR.

*Reply to recommendation 3, paragraph 127:* The Commission did not accept the recommendation. The Commission has informed and will continue in 2021-2027 to inform the budgetary authority in full transparency about the outcome of closure in the respective AARs, even if this obligation is not included in the sectoral legislation.

*Reply to recommendation 4, paragraph 131:* The Commission did not accept the recommendation. In order to ensure a smooth transition from the current to the next CAP period and avoid disruption of multi-annual activities, the Commission has tabled, on 31 October 2019, a proposal for a Transitional Regulation (COM(2019) 581 final). This proposal, laying down transitional provisions for the support by the European Agricultural Fund for Rural Development (EAFRD) and by the European Agricultural Guarantee Fund (EAGF), is currently negotiated with the co-legislators.

---

<sup>7</sup> Published final report of 31 March 2020: <https://data.europa.eu/doi/10.2875/406299> (main report) and <https://data.europa.eu/doi/10.2875/873698> (annex)

## **COPYRIGHT**

© European Union, 2020.

The reuse policy of the European Court of Auditors (ECA) is implemented by the [Decision of the European Court of Auditors No 6-2019](#) on the open data policy and the reuse of documents.

Unless otherwise indicated (e.g. in individual copyright notices), the ECA's content owned by the EU is licensed under the [Creative Commons Attribution 4.0 International \(CC BY 4.0\) licence](#). This means that reuse is allowed, provided appropriate credit is given and changes are indicated. The reuser must not distort the original meaning or message of the documents. The ECA shall not be liable for any consequences of reuse.

You are required to clear additional rights if a specific content depicts identifiable private individuals, e.g. pictures of the ECA's staff or includes third-party works. Where permission is obtained, such permission shall cancel the above-mentioned general permission and shall clearly indicate any restrictions on use.

To use or reproduce content that is not owned by the EU, you may need to seek permission directly from the copyright holders

Software or documents covered by industrial property rights, such as patents, trade marks, registered designs, logos and names, are excluded from the ECA's reuse policy and are not licensed to you.

The European Union's family of institutional web sites, within the europa.eu domain, provides links to third-party sites. Since the ECA does not control them, you are encouraged to review their privacy and copyright policies.

Use of European Court of Auditors' logo

The European Court of Auditors logo must not be used without the European Court of Auditors' prior consent.

The European Court of Auditors examined the results achieved by EU spending programmes financed from the EU budget, based on performance information from the Commission and other sources, including its own recent audit and review work. It also assessed the way the Commission produced the 2019 Annual Performance and Management Report and the programme statements for the 2021 EU budget, and whether these reports give a clear, comprehensive and balanced overview of the performance of the EU budget.



EUROPEAN  
COURT  
OF AUDITORS



Publications Office  
of the European Union