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REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

on the evaluation of the Union's finances based on the results achieved

{SWD(2015) 124 final}
{SWD(2015) 125 final}

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List of abbreviations:

AMIF	Asylum Migration and Integration Fund
CAP	Common Agricultural Policy
CEF	Connecting Europe Facility
CFSP	Common Foreign and Security Policy
CF	Cohesion Fund
CFP	Common Fisheries Policy
COSME	Competitiveness of Enterprises and SMEs
DCI	Development Cooperation Instrument
EAGF	European Agricultural Guarantee Fund
EDF	European Development Fund
EAFRD	European Agricultural Fund for Rural Development
EFF	European Fisheries Fund
ESIP	Employment and social Innovation Programme
EIB	European Investment Bank
EIDHR	European for Democracy and Human Rights
EMFF	European Maritime and Fisheries Fund
ENI	European Neighbourhood Instrument
ERDF	European Regional Development Fund
ESF	European Social Fund
ESIF	European Structural and Investments Funds
ESIP	Employment and Social innovation Programme
FEAD	Fund for European Aid to the Most Deprived
FP7	Seventh Framework Programme for Research, Technological Development and Demonstration Activities (MFF 2007-2013)
Horizon 2020	EU Framework Programme for Research and Innovation (MFF 2014-2020)
IfS	Instrument for Stability
INSC	Instrument for Nuclear Safety Cooperation
IcSP	Instrument contributing to Stability and Peace
INSC	Instrument for Nuclear Safety Cooperation
IPA	Instrument for Pre-Accession

ISF	Internal Security Fund
MFF	Multi-Annual Financial Framework
OPs	Operational Programmes
PAs	Partnership Agreements
PBI	Project Bond Initiative
UCPM	Union Civil Protection Mechanism
YEI	Youth Employment Initiative

INTRODUCTION

Role of the Article 318 Report

Article 318 TFEU requires the Commission to submit to the European Parliament and the Council an annual evaluation report on the Union's finances based on the results achieved ('Article 318 Report' or 'Report'), as part of the annual discharge procedure on the implementation of the EU budget. It allows the European Parliament to examine performance of the EU budget in addition to the issues of compliance, legality and regularity of budget implementation. The latter aspects are addressed in the Synthesis Report of the Commission's management achievements[1].

Around 80 per cent of the EU budget is operated through shared management between the Commission and Member States, while 20 per cent is under direct management by the Commission. Member States are required to cooperate with the Commission in the implementation of the programmes, and in evaluating and reporting on them. The Commission is responsible to Parliament and Council for the implementation of the EU budget for which Parliament shall, on a recommendation from the Council, give a discharge to the Commission.

Monitoring and evaluation frameworks (including performance objectives and indicators, together with evaluation and reporting arrangements) are set out in the spending programmes under the 2014 – 2020 Multi-annual Financial Framework ('MFF') adopted by the Parliament and the Council. The Commission has included those performance objectives and indicators in addition to those on management in the Management Plans of its Directorates-General, for reporting through the Annual Activity Reports. The Commission summarises and reports on the legality and regularity of spending and management of the implementation of the EU budget in its annual Synthesis Report based on the information in the Annual Activity Reports.

There are therefore different categories of information that contribute to the annual budget discharge. These include the annual accounts and a financial statement on the assets and liabilities of the Union, information on the legality and regularity of spending, information on progress made in the implementation and management of the financial programmes and information concerning the results achieved[2].

The Juncker Commission has indicated that it will ensure that "*every action we take delivers maximum performance and value added*".[3] This combined with its Better Regulation policy translates into a strong commitment to an EU budget focused on performance.

The Parliament and the Court of Auditors have requested that the Article 318 Report gives an annual update of progress made towards attaining programme objectives and the contribution made by the programmes to overall EU objectives. The Commission has responded by providing information on achievement of EU policy objectives as well as programme objectives. However there are various factors that need to be taken into account in this context.

First, the proximity of the annual discharge to the year of spending subject to the discharge limits the extent to which up-to-date information on programme performance can be provided. This is because, while it is possible to report year-on-year on money spent, on actions being taken financed

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[1] See COM(2015) 279 final Synthesis of the Commission’s management achievements in 2014 of 3 June 2015.
[2] See Article 318 and 319 TFEU.
[3] Mission letters of President Juncker to the Commissioners.

by EU money and on the most immediate and direct results of those actions, it is not possible to report on the broader performance of EU interventions in terms of their impact on the economy and society within such a short timeframe.

As the evaluation and reporting framework of the MFF recognises, broader performance information only starts to become available around half way through each programme. This is when sufficient time has elapsed for money spent and actions then taken to have produced an impact. The strength and sustainability of the impact of the actions can also only be assessed some years later, when looking at developing trends. For example, the provision of financial support for re-training of the long-term unemployed in one year can lead to increased quality or quantity of trainings being available in the following year. This should lead on to better qualified persons being present on the jobs market perhaps the following year. The sustainable impact of those developments , in terms of these people obtaining lasting new employment, will then be open to assessment, on the basis of trends identified through annual reporting, some years after that. This is why regular information is provided through annual reporting on the outputs and results of EU spending, while reporting on the overall performance of the financial interventions only starts to take place around half way through the seven year MFF, through interim evaluations, and is only completed in the years that follow the conclusion of the MFF, through the ex-post evaluations.

Second, there are further difficulties in establishing the link between the actions taken and progress in achieving EU policy objectives because of the variety of external factors involved. To continue with the example of training for the unemployed, the multiple factors influencing global trading conditions and private sector decision-taking on the location of production in different parts of the world can all have a strong impact on employment in different countries and regions regardless of the quality and quantity of training provided.

Third, account also has to be taken of the fact that EU spending only accounts for around 2 per cent of total public spending in the EU and one per cent of Gross National Income. While EU spending can and does seek to add value to national spending, to contribute to ensuring an efficient Single Market, to reduce regional disparities in development and income, and so on, there are limits to the influence of spending channelled through the EU financial programmes due to the relatively small amounts involved compared to the overall public finance and market situation. All of these factors need to be taken into account when considering the contribution that the Report under Article 318 can make to the process of the annual EU budget discharge.

The further evolution of this report needs to be seen in the context of the Commission's continuing work on performance across the entire budget cycle to ensure that the best information is available to support allocation decisions; to reduce administrative burdens, to simplify and accelerate access to EU finance; and to apply more cost-effective controls. There is also a strong focus on interinstitutional communication and dialogue on how to achieve the best results and better provision of information to the public. The Interinstitutional Working Group on Performance-based Budgeting to be set up following the request of Parliament should contribute to a more common understanding as the basis for future decisions on the best way forward on an EU budget focused on results.

This year's report

The Union's budget for the period 2014-2020 ('MFF 2014-2020') is divided into different categories of expenditure ('budget headings') corresponding to different areas of EU activities: (1) Smart and Inclusive Growth; (2) Sustainable Growth: natural resources; (3) Security and citizenship; and (4) Global Europe. The maximum funding committed for these areas is set at EUR 960 billion[4] for the 7-year period.

In the financial year 2014, programmes under the new MFF started to be implemented[5]. At the same time, spending continued for projects under the programmes financed by the previous 2007-2013 MFF period. As indicated in last year's Article 318 Report[6], reporting in 2014 will combine the early signals of progress in implementing the MFF 2014-2020 programmes with available feedback on results and impact of projects financed by the earlier programmes under the 2007-2013 MFF. The reporting is based on information in the Annual Activity Reports of the Commission's departments, which combine monitoring data with evidence from evaluations and performance audits from the European Court of Auditors. These Annual Activity Reports provide detailed information on indicators measuring progress made in achieving the objectives of the different EU policies. A Commission-wide overview of progress on key performance indicators is provided in the Synthesis Report on the Commission's management achievements for 2014.

Ex-post evaluations of main spending programmes financed under the MFF 2007-2013 are not yet available. Therefore, this year's report comes in an interim period between further reporting on the performance of the earlier MFF and the start of spending under the new MFF.

The Report follows up on requests by the Parliament, the Council and the Court of Auditors[7] to focus reporting more on the contribution of the budget to Europe 2020 and on the EU added value of the budget.

The Report includes a summary account on progress towards Europe 2020 targets. A key example of this is how funds were mobilised in response to the 2012 initiative of Heads of State to give an additional boost to meeting Europe 2020 targets through the "Compact for Growth and Jobs". The "Compact" finances initiatives to counter the economic recession. Results achieved through one of these initiatives, the Project Bond Initiative, have become available in 2014. The Report also includes examples of the added value created by the EU budget and is accompanied by a Staff Working Document (SWD1) dedicated to the efficiency and effectiveness of EU interventions and the synergies they create contributing to EU added-value.

Finally, as in its previous edition, another Staff Working Document (SWD2) is added outlining how the Commission has implemented the 2013 Action Plan for the Development of the Article 318 Evaluation Report.

[4] Expressed in 2011 prices.

[5] A short description of the main programmes is given in the different chapters of this Report. A complete overview is available at: http://ec.europa.eu/budget/mff/programmes/index_en.cfm or in the Commission's Programme Statements of operational expenditure.

[6] COM (2014) 383 final and SWD (2014) 200 final of 26 June 2014.

[7] By the European Parliament in its 2013 discharge resolution, by the Council in its recommendation for the 2013 discharge and by the European Court of Auditors in its 2013 annual report on the implementation of the budget.

Structure of the Report:

- Section 1 provides a summary account of progress made towards achieving the Europe 2020 targets; and illustrates how the EU budget was mobilised to address internal and external political priorities. Example 1 shows how the EU budget leveraged financing for important infrastructure projects through the Project Bond Initiative. Example 2 shows the added value of the EU budget in coordinating financial, organisational and humanitarian assistance to the Ebola epidemic in Africa.

- Section 2 gives a comprehensive overview of results achieved with Union's finances for each of the MFF headings: It is split into two main chapters - the internal policies of the Union and the Union's external policies. Within this structure, the Commission gives account of the results and impacts achieved by the programmes and operational aspects linked to the performance of the programmes.

- Section 3 summarises main findings and draws conclusions.

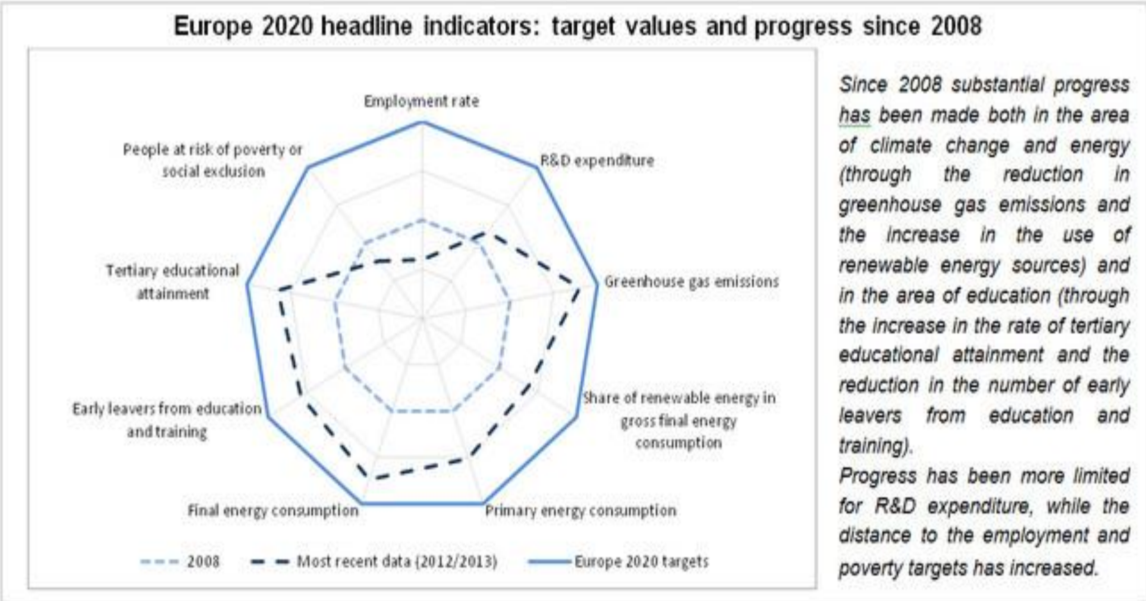
1. EUROPE 2020 and the added value of the EU budget

1.1 Summary account of progress towards Europe 2020 targets

Europe 2020 is the European Union's ten-year growth and jobs strategy that was launched in 2010. To achieve its objective of smart, sustainable and inclusive growth, the strategy relies on five headline targets on employment, research and development, climate and energy, education, and the fight against poverty and social exclusion, translated by each Member State into national targets. The MFF 2014-2020 budget is one of the EU levers contributing to the achievement of these targets.

National governments play a primary role in delivering results. For most of the areas, national targets are not sufficiently ambitious to cumulatively reach the EU-level of ambition[8] and the EU budget on its own representing approximately 2% of overall public spending in the EU, is not sufficient to overcome this shortcoming.

The chart below shows the progress made since 2008 and the distance to the Europe 2020 key targets.



Source: Eurostat publication of 2 March 2015

Where possible, the chapters of this report are structured around the Europe 2020 priorities of smart, sustainable and inclusive growth and results of EU programmes are linked to Europe 2020 aims. The reported results under the different chapters should be interpreted in the light of the general Europe 2020 progress described above.

The EU budget is used both in support of long term Europe 2020 targets and to meet short term challenges. The two examples below illustrate how EU funding is being targeted to respond to shorter term political priorities, both in the internal and external domain.

8 COM (2015) 100: "Final Results of the public consultation on the Europe 2020 strategy for smart, sustainable and inclusive growth", page 2.

1.2 Examples of how the EU budget was used to address internal and external political priorities

Example 1- COMPACT FOR GROWTH AND JOBS: How the Project Bond Initiative helped to act as a leverage on additional financing for important infrastructure projects

To give an additional boost to the attainment of Europe 2020 objectives the EU Heads of State adopted the "Compact for Growth and Jobs" in June 2012. This initiative foresees several dedicated actions to be undertaken by Member States, the Commission and the EIB[9]. One of these actions was the launch of the pilot project 'Project Bond Initiative (PBI)' which is financed by the EIB and through EUR 230 million from the EU budget. It was estimated that the pilot PBI would bring additional investments of up to EUR 4.5 billion into pilot projects in key transport, energy and broadband infrastructure, providing employment while also contributing to future economic growth and jobs.

Evidence that became available in 2014 on the Project Bond Initiative showed that the initiative was able to mobilise additional finance. Out of the EUR 4.5 billion, around 2.1 billion of project capital costs have been covered through the financing facilitated by the EU/EIB credit enhancement of infrastructure projects across the three sectors, with up to approx. EUR 2 billion more of capital costs of projects in the pipeline to be covered in the near future.

So far, financial agreements for four projects receiving contributions from the EU budget have been finalised:

1. The new Belgian A11 motorway (total project cost EUR 657.5 million): Once completed, the A11 will provide a direct motorway connection between the port of Zeebrugge and the European motorway network.

2. The extension of the German A7 Bordesholm-Hamburg motorway (total project cost EUR 772 million): The A7 is the longest motorway in Germany and one of most important North-South links between Scandinavia and central Europe. The project enables increased traffic on the motorway.

3. The broadband infrastructure (Axione) project in France (total project cost EUR 189.1 million): The credit enhancement structure provided by the EIB with the support of the EU budget in the form of a letter of credit, allowed the company to raise the first listed and rated project bond in Europe in the telecommunications sector. The project supports the maintenance and expansion of a broadband network in regions of France with a predominantly low population density.

4. The 504MW Greater Gabbard offshore transmission project (OFTO) in the UK (total project costs EUR 420 million): This was the first OFTO project of sufficient size to have attracted the interest of capital markets. The Greater Gabbard transaction demonstrated the significant pricing advantage achievable on a public bond issue using credit enhancement under PBI compared to conventional bank financing.

The leverage achieved[10] on the signed transactions to date is around nine. Compared to EIB senior lending, the subordinated position taken by the EIB under the PBI had a demonstrable catalytic effect in attracting private investors to projects. The EIB's role as a credit enhancement provider gave private investors assurance that the Bank will become involved at an early stage in the project

[9] The 4th edition of the Article 318 Report included information on the redeployment of Structural Funds to boost growth and jobs.
10 Total project cost per EC Contribution committed.

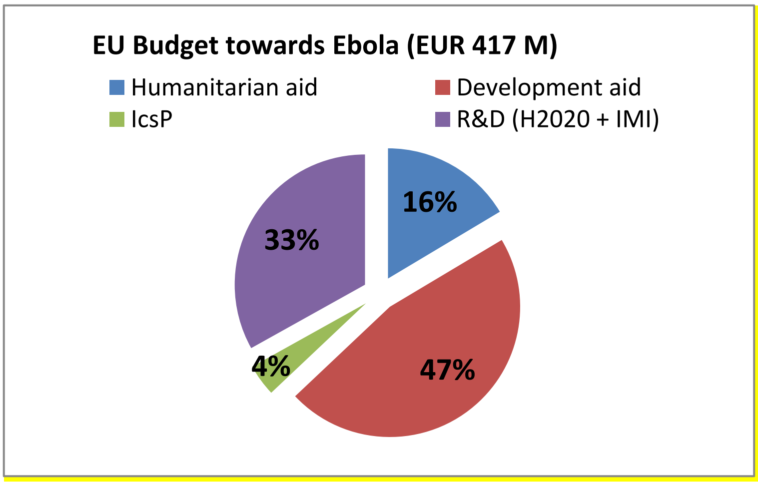
procurement. This allowed the bonds issued by the respective project companies to have attractive risk profiles for a wide range of institutional investors. The project bond option associated with the PBI credit enhancement resulted in significant pricing advantages for the public authority compared to bank financing, which in turn delivered higher value to consumers.

The "Compact for Growth and Jobs" also devoted a major share of the Structural Funds (now called European Structural and Investment Funds – ESI Funds) to growth enhancing measures such as support of research and innovation, SMEs and enhancing employment. Chapter 2.1 B of this report provides a more detailed account on the performance of the ESI Funds in these areas, as well as on the investments mobilised in this regard under the new MFF.

Example 2 - FIGHTING EBOLA: How a coordinated EU response helped to quickly provide financial, organisations and humanitarian assistance to the Ebola epidemic in Africa

The 2014 Ebola pandemic is an ongoing crisis of global proportion and of global concern. It concentrated in three Western African countries (Liberia, Sierra Leone and Guinea) and by the end of 2014 had claimed some 8,800 lives and over 22,000 cases of infected patients. Eradicating Ebola requires responses locally largely dependent on global contributions.

As part of the larger international action, the EU rapidly mobilised funds to fight the epidemic amounting to over EUR 1.1 billion[11] by December 2014. The contribution stemming from the EU budget amounted to approximately EUR 417 million[12] and was mobilised across different Budget Headings as illustrated below.



The EU budget contributes to epidemic surveillance, diagnostics, treatment and medical supplies; the deployment of doctors, nurses and mobile laboratories; training of health workers and awareness rising actions. Furthermore, beyond the coordination of the answers, the EU's role was to enhance the capacities of third countries to answer these threats. It supported the stabilisation of the affected countries and is presently assisting them in their recovery.

Throughout the course of 2014, the European Union demonstrated its added value in several respects:

11 This figure includes funding from the Member States and the Commission.
12 The funds included EUR 68.5 million in humanitarian funding channelled through humanitarian partner organisations addressing the most urgent needs; EUR 194 million of development and early recovery assistance to reinforce the capacity of governments to deliver vital public services; EUR 16.5 million through IcSP support aimed at reducing tensions and hostilities in the affected countries and EUR 138 million for research under Horizon 2020 and IMI.

- Effectiveness: **EU action was the only way to deliver rapid and effective results** in a coordinated manner. The EU for instance coordinated preventive actions within the EU such as sharing of information and best practices, trained health professionals, and maintained an extensive network of humanitarian field experts.

- Efficiency: **Action at EU level offered better value for money** because resources and expertise were pooled. It was able to exploit economies of scale that resulted in added value. For example, via Horizon 2020, cost-effective treatments, vaccines and rapid diagnose methods are being developed.

- Synergy: **EU action complemented actions at Member State level** and brought a leverage effect in that it reduced disparities and created synergies.

The following shows the contributions made to the overall effort from the various EU programmes.

Personnel and Equipment

The Ebola situation is being closely monitored through the Emergency Response Coordination Centre (ERCC), which serves as a response hub under authority of the EU Ebola Coordinator Commissioner, Christos Stylianides. The ERCC provides a coordination platform to facilitate an efficient coordination of European assistance. An Ebola task force has been set up meeting daily to define joint actions.

Another critical element has been air transport for the entry and circulation of health workers and supplies. With the support of the ERCC a Dutch naval vessel was used to deliver 5,000 tons of assistance from nine Member States – including ambulances, trucks, mobile hospitals and protective equipment. The EU also put in place a medical evacuation system for all international relief workers – a vital precondition for ensuring that more health workers could travel to the region.

Research

Following the call by the World Health Organisation (WHO) on the international community to find ways to help in its fight against Ebola, the Commission mobilised financing from Horizon 2020 and in an unprecedentedly short timeframe managed to start research projects in October 2014. In parallel, the Innovative Medicines Initiative (IMI), a public-private partnership between the European Commission and the pharmaceutical industry in Europe, leveraged EUR 101 million from the pharmaceutical industry.[13]

The Commission is also helping with the monitoring and tracking of the epidemic. Through the Joint Research Centre, the EU is assisting WHO in developing its Hazard Detection and Risk Assessment System, which is being used to monitor the ongoing outbreak in the areas and countries already affected, identify any further spread of the disease as early as possible, and identify response measures.

A coordinated research effort both in emergency situations and in the inter-epidemic periods is a crucial element of responding efficiently and rapidly to future infectious outbreaks. For this reason, the Commission has taken a lead in establishing the Global Research Collaboration for Infectious

[13] http://ec.europa.eu/research/health/infectious-diseases/emerging-epidemics/ebola_en.html

Disease Preparedness, which links together research funders from all continents. Its goal is to mount an effective research response within 48 hours of an outbreak.

Public Health and Preparedness inside Europe

Via the Health programme, several laboratories joined forces to improve diagnostic capabilities through activities that included the drawing up of operational preparedness plans, the purchase of material (diagnostic kits), the training of staff and the conduct of external quality assurance exercises. More than 220 samples were tested across the network, which also provided skilled staff for similar laboratory activities in West Africa (Guinea, Liberia). This experience is extremely important as it becomes a reference for response at European level in case of similar occurrences.

Preparations were also made for possible Ebola cases in the EU which included designating some 50 centres across the EU with more than 20,000 hospital beds, a network of specialised laboratories, ambulance and air transport, training of thousands of medical personnel and publication of information messages at air and sea ports and in the mass media. Moreover, an EU mechanism for medical evacuation of Ebola cases from Africa to Europe has been established in October 2014 in cooperation with the World Health Organisation. Under its auspices, four Ebola patients have been transferred to a hospital in Europe.

Regional Preparedness

To support preparedness in West Africa (and beyond), the Instrument contributing to Stability and Peace (IcSP) and other ongoing EU programmes provided assistance – for example, by helping to refurbish and equip an Ebola treatment unit at the central hospital in Cote d'Ivoire; helping to provide a water and sanitation programme with hygiene messages in Guinea Bissau; or setting up a facility in Burkina Faso to support the national preparedness plan.

Regarding the response to the Ebola outbreak in general and the impact of the EU involvement in particular, a number of lessons-learned exercises have already started, both among the EU services and with Member States, and at the level of the UN with the nomination of a high-level panel appointed by the UN Secretary General. The results of these different exercises will become available in 2015.

2. OVERVIEW OF RESULTS ACHIEVED

The following section provides an overview of results achieved in 2014 for the main financial programmes. It is structured according to budget headings. The chapters 2.1-2.3 give account of the Union's internal policies and chapter 2.4 of the Union's external policies. The focus is on initial results as longer term results and impacts have not yet occurred.

Each chapter is structured as follows:

1. A section on the 2014-2020 MFF programmes covered by budget heading, their financial coverage and, where relevant, how they contribute to the Europe 2020 strategy. An overview of early progress in implementation is given where possible;

2. A section on the results and impacts achieved by the programmes financed under the MFF 2007-2013, including examples of EU added value; and

3. A section on the operational performance, which describes evidence of operational aspects of performance as well as Commission actions to improve programme management and implementation with a view to boosting the performance of the programmes.

2.1 Smart and Inclusive Growth (Budget Heading 1)

A) COMPETITIVENESS FOR GROWTH AND JOBS (Heading 1a)

In 2014, the main programmes under heading 1a 'Competiveness for growth and jobs' (accounting for 95% of committed funding) are Horizon 2020, large infrastructure projects (EGNOS and Galileo, ITER, Copernicus), the Connecting Europe Facility (CEF), and the Erasmus+ programme[14] funding education, training, youth and sport actions. Although smaller in absolute budgetary terms, the actions funded under the COSME programme are significant for European SMEs. The remaining smaller programmes account for 5% of funding and focus on specific issues that need a solution at European level.

In terms of budget commitment appropriations, EUR 15.97 billion has been allocated to the above programmes under heading 1a for 2014, which represents 12% of total 2014 EU budget for headings 1-4.

Programme	Budget 2014 commitment appropriations (EUR million)
Horizon 2020, Framework Programme for Research and Innovation	9,023.1
Large infrastructure projects (ITER, EGNOS and Galileo, Copernicus)	2,418.9
Connecting Europe Facility (CEF)	1,976.2
Education, Training, Youth and Sport (Erasmus+)	1,558.8
Competitiveness of enterprises and SMEs (COSME)	254.1
Other (e.g. PSCI Customs, Fiscalis, EaSI, EGF)	743.6
TOTAL	**15,974.7**

[14] Combining all the EU's former schemes for education, training, youth and sport, including the Lifelong Learning Programme (Erasmus, Leonardo da Vinci, Comenius, Grundtvig), Youth in Action and five international cooperation programmes (Erasmus Mundus, Tempus, Alfa, Edulink and the programme for cooperation with industrialised countries).

These main financial programmes contribute to the Europe 2020 priorities of Smart and Sustainable Growth. They support investment in Europe's future through a variety of different programmes aimed at boosting research and innovation, improving skills levels and (life-long) education, fostering entrepreneurship, facilitating the use of smart networks and the digital economy, building interconnected trans-European networks, investing in pan-European infrastructures, and aiming at greater energy and resource efficiency.

The Europe 2020 headline target of increasing investment in R&D to 3% of GDP cannot be met, and was never intended to, by EU funding alone, given that it represents about 10% of total public R&D spending predominantly supported by the Member States. The EU budget aims to maximise the effects of EU funding by fostering partnerships with and among Member States and private sector organisations through Joint Programming and public-private partnerships (PPPs) and by creating leverage effects on EU funding through financial facilities under Horizon 2020, CEF, and COSME.

The programmes under this heading are carried out through direct management. As of 2014, their implementation has been partly outsourced to five Executive Agencies: REA, ERCEA, EASME, INEA, and EACEA.

In 2014, implementation of all programmes under this Heading started. The 2014 calls under Horizon 2020 already generated a lot of interest. For 79 concluded calls, 1,410 grant agreements were signed. In particular, the demand for mobility funded under Erasmus+ was higher than expected (about 21,000 projects submitted in the Education and Training field and more than 11,000 for Youth) and for cooperation projects (some 12,000 projects submitted) the demand was very high compared with the budget available (with selection rates of around 15% or lower in most cases). The attractiveness of the Framework Programme for Research is further demonstrated by the number of non-EU countries which requested to be associated with it. In the course of 2014, Horizon 2020 Association Agreements have been signed with 12 countries[15] and another two have asked for association[16]. Renewals of Science and Technology Agreements with USA, Ukraine and China were also completed.

Regarding Galileo, EGNOS and Copernicus, the challenge facing the Commission for the years 2015-2020 is to promote the increase in the uptake and commercial exploitation by user communities and commercial players[17]. It is early days as yet, but the outlook remains positive that the range of services to be provided can continue to expand as planned and the commercial take-up of the services offered will be satisfactory.

Results and Impacts achieved 2007-2013 MFF programmes

The 7th Framework Programme for Research, Technological Development and Demonstration activities (FP7)

EU research policy through FP7 contributed to the Europe 2020 headline target of "increasing investment in R&D to 3% of GDP" (2.02% in 2013). While awaiting the results of the on-going ex-post

[15] Albania, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey, Iceland, Norway, Israel, Moldova, the Faroe Islands and Switzerland (Switzerland has been associated to some parts of Horizon 2020, EURATOM and ITER until 31 December 2016 with retroactive effect as of 15 September 2014 following the political agreement reached with the EU after the Swiss referendum).

[16] Georgia and Armenia.

[17] In 2013, the annual global market for global navigation satellite products and services was valued at EUR 175 billion and it is expected to grow to EUR 237 billion by 2020.

evaluation work, the latest available participation statistics for FP7 show that between 2007-2013 487 concluded calls received nearly 136,000 proposals, involving more than 600,000 applicant organisations and individuals out of which approximately 20% were financed. The aggregate project cost of the retained proposals for the period 2007-2013 is EUR 64.3 billion and the corresponding EU financial contribution requested is EUR 45.4 billion out of the total EUR 55.5 billion available.[18]

Small and Medium-sized Enterprises (SMEs) account for 46% of all industry organisations participating in projects for the period 2007-2013. **SME participation in collaborative research projects reached 17.4% (by October 2013) thereby exceeding the set target of 15%.** The average EU contribution to SMEs participating in the FP7 for the period of 2007-2013 is EUR 259,772 per SME.

By December 2014, 48% of all FP7 research projects were completed. They generated more than 38,600 publications as scientific output of which nearly 40% were published in high-impact, peer-reviewed journals.

For the 7,288 completed FP7 projects, a technological output of 1,586 intellectual property rights applications were reported, including 1,291 patent applications[19] (81%). This relatively high percentage of patent applications serves to indicate the possible exploitable innovation potential of the research undertaken.

FP7 participation also contributed to sustainable employment levels of researchers in Europe. According to a 2014 evaluation study, **around 142,000 additional researchers were hired by the beneficiary research teams during the implementation of FP7 projects.** About 43% stayed in their teams after project completion (which is a net retention rate of 1 out of 2.3 hired researchers). **This corresponds to an estimated direct new job creation of 61,000 additional employment positions in participating organisations after the end of the project.** FP participation also helped to increase the share of women researchers in the beneficiary research teams and of international researchers.[20]

Meanwhile, the Marie Skłodowska-Curie actions for the 2007-2013 period supported about 50,000 researchers (including approximately 10,000 PhD candidates) of 136 different nationalities working in more than 81 countries.

The **2014 Nobel Prizes in Medicine** were jointly awarded to Professors Edvard I. Moser, May-Britt Moser and John O'Keefe "for their discoveries of cells that constitute a positioning system in the brain". These achievements were notably based on FP5 and FP7 health collaborative research projects. Edvard Moser and May Britt-Moser are also grantees of the ERC and were also former Marie Skłodowska-Curie project coordinators. The **2014 Chemistry Nobel Prize** winner Prof. Stefan W. Hell from German Cancer Research Center is a former, 1996-1997 Marie Skłodowska-Curie fellow.

[18] CORDA extraction date 19/05/2015. The rest of the funding was allocated to the Risk Financing Sharing Facility, ITER, Fusion programme, Direct actions (Joint Research Centre) and administrative expenditures.

[19] In addition, 295 patent applications are reported in the Information and Communication Technologies Programme.

[20] The same 2014 evaluation study estimated that 44% of the additionally hired researchers were women. Concerning the hiring of international researchers, however, the research teams in the FP7 Capacities and Cooperation specific programmes were less likely to hire international researchers than the teams in Ideas and People. In People, more than two thirds of the additionally hired researchers came from abroad, closely followed by Ideas (62%). In Capacities and Cooperation, however, the share of additionally hired international researchers was substantially below the FP average of 50%.

More than one out of five FP7 projects in the *'Cooperation specific programme'* includes a third country participant (22%), coming from 105 different third countries. The predominant research areas in which third country participation takes place are in Health; Food, Agriculture & Biotechnology; ICT; and Environment. USA and BRIC countries constitute the top 5 participating third countries.

A 2014 survey study undertaken among international FP participants in the Cooperation programme of FP7 demonstrated that the advantages of FP7 international cooperation prevail over national funding mechanisms, because FP participation offers better:

- Access to the international research community/network;
- Connection with leading minds in the field;
- Reputation, position and status for participating researchers/organisations;
- Leverage of available funding/extra funding;
- Conditions for ensuring the establishment of international consortia.

Large infrastructure projects

In 2014, Switzerland signed an Association Agreement with the EU and Euratom covering some parts of Horizon 2020, Euratom research programme and ITER activities for the period 2014-2020. This agreement ensures therefore the participation of Switzerland in ITER activities allows Switzerland to be a full member of the European Joint Undertaking for ITER (F4E) in charge of delivering the EU contribution to the ITER organization.

The financial programmes supporting the European satellite navigation systems (EGNOS and Galileo) and the European earth observation system GMES-Copernicus continued to deliver results in 2014.

About 65% of all existing satellite navigation receiver models are now EGNOS-enabled, meaning that these receivers can use the EGNOS message. In Europe, more than 170 EGNOS-based landing approaches are currently available at more than 110 airports in 15 countries, which allow better navigation when landing at an airport with reduced visibility conditions. The Airbus A350 is the first large commercial aircraft providing an option to land with EGNOS. From the 750 firm orders, most of them contracted the EGNOS option. EGNOS is also used for inland maritime navigation in the 400km-long Hungarian Danube stretch. A multinational gas and oil company is in the process of equipping all its 1500 trucks in Italy and 400 trucks outside Italy with EGNOS-enabled devices to monitor the transport of hydrocarbons. About 90% of high-end combine harvesters currently sold by a leading agricultural machinery manufacturer are equipped with EGNOS-enabled receivers.

For Galileo, following corrective measures, the programme is back on track after delays were experienced. In August 2014, two Galileo satellites were placed into an incorrect orbit due to a launch anomaly. They have since been moved to an improved orbit and their test results proved to be positive. The launches of Galileo satellites resumed in March 2015, keeping the overall plan for the deployment of the Galileo constellation on-track. Regarding Copernicus, Sentinel 1A was launched in April 2014. Four months later, it acquired data, which has been used to map the rupture caused by the biggest earthquake that has shaken northern California in 25 years. This shows that the European satellite Industry is able to operate on a global scale.

Loan Guarantee for the trans-European transport network projects

The "loan guarantee instrument for the trans-European transport network projects" (LGTT) is a joint Commission-EIB financial instrument created in 2008 to accelerate and implement TEN-T infrastructure projects. A Commission capital contribution of EUR 250 million leveraged total capital investment of more than EUR 12 billion in the six traffic revenue-risk TEN-T transactions in France, Germany, Portugal, Spain and United Kingdom in the port, road and rail sectors at the end of 2014.

Erasmus and Marie Skłodowska-Curie

European actions in the area of mobility contributed to the Europe 2020 headline target of having "at least 40% of 30-34 year olds completing third level qualification" (now at 36.9%). **Since the inception of Erasmus, the programme has encouraged the mobility of over 3 million beneficiaries.**

A study to assess the effects of mobility on the skills and employability of students was finalised in 2014 and concluded that **52% of Erasmus students increased their "employability skills" due to their experience abroad[21].** These skills are highly sought-after by employers who considered experience abroad to be important for employability. The study found that Erasmus students are in a better position to find their first job and to enhance their career development[22].

COSME (Competitiveness of Enterprises and Small and Medium-sized Enterprises (SMEs) and its sub-programme Erasmus for Young Entrepreneurs

European actions improved the business environment for enterprises by helping to decrease the time and cost to start-up a business from 5.4 working days in 2012 to 3.5 in 2014 (35% reduction) with an average cost of EUR 313 in 2014, down from EUR 372 in 2012 (15% reduction).

The evaluation of the Erasmus for Young Entrepreneurs programme (EYE) demonstrated that 36.5% of EYE 'would-be' entrepreneurs started a business after the exchange. Against the background of a 5% drop in enterprise births in Europe during 2009-2011, and a 3% decrease in the number of micro-enterprises in 2010-2012, this is a positive and encouraging result. Other notable aspects presented in the evaluation study concern the relatively high survival rates of new entrepreneurs compared to European SME average and the ability to hire new staff: Only 79% of European start-ups survive after two years of activity, while only 57% of them reach their three-year anniversary while 87% of EYE New Entrepreneurs are still in business.

Other programmes

Performance evidence of smaller programmes (Fiscalis, Customs and Hercule) became available in 2014. The objectives of these programmes are not directly linked to Europe 2020 goals, but they address specific needs related to cooperation between Member States in the fields of taxation and customs and the protection of the Union's financial interests.

The external evaluation of the Fiscalis 2013 programme concluded that the programme provided Member State tax administrations with the means to effectively exchange information (e.g. standardised tax e-forms, etc.). Approximately 75% of the budget was committed to the operation and support of the IT systems supporting the exchange of information between tax administrations. One example is the VAT Information Exchange System (VIES) on the web system, which allowed a saving of EUR 160 million for economic operators and national administrations. **Important efficiency**

[21] To produce sufficient quantitative data, the research team launched five online surveys in 2013, resulting in the participation of 56,733 students (includes mobile students with and without Erasmus experience and non-mobile students), 18,618 alumni (83% mobile with and without Erasmus), 4,986 staff (academic and non-academic, mobile and non-mobile), 964 higher education institutions and 652 employers (of which 55% were SMEs) across the 34 countries participating in the programme. In total, the sample for the study comprises 78,891 responses.

22 One in three students who did an Erasmus work placement was offered a job by their host company, and about one in ten Erasmus students started their own company after the work placement.

gains were delivered as the programme streamlined and simplified the exchange of information and monitoring thanks to standardisation, digitisation and interoperability of means. In terms of effectiveness, *Fiscalis* helped to identify approximately EUR 3.26 billion of tax amount due, thereby directly contributing to the Union's fight against tax evasion.

The evaluation of Customs 2013 concluded that the programme contributed significantly to enhanced safety and security, the protection of the EU's financial interest and the facilitation of trade. The financed trans-European IT systems allowed for burden sharing between the European Union and participating countries. Furthermore, the financed risk management systems contributed to **the enhanced control of dangerous goods and to the effective identification and collection of customs duties. The Customs Union has become more secure, which had a direct and positive impact on protecting the EU's financial interests.** The evaluation also found that the financed networking actions were crucial and helped ensuring the consistent application of customs legislation, spreading of best practices and building the trust needed for administrations to act is if they were one.

The evaluations issued a number of recommendations, most of them of an operational nature (such as improvements to the IT systems and applications). An action plan setting out how these operational recommendations will be addressed in the course of the current programming period is being drawn up.

The evaluation of HERCULE concluded that the Programme reached its objectives and intended impact, namely protecting the Union's financial interests, and that it delivered results in terms of (i) support to law enforcement and custom authorities; (ii) enhanced cooperation and (iii) access to data and analysis. However, the evaluation also showed that efficiency gains are possible if Member States share best practices with respect to purchasing and procurement of equipment.

Operational aspects of performance

In 2014, the Commission moved to the more intensive use of the Executive Agencies following its positive experience with implementation of parts of the previous MFF programmes for research and innovation. The 2014 Synthesis report identified a number of challenges in terms of governance supervision and/or accountability related to the transfer of programme management to executive agencies (EAs) and Joint undertakings (JUs) and proposed appropriate remedial action.

Overall, in 2014, **three major changes were introduced by the Research Family DGs, aiming to increase effectiveness and efficiency in implementation**:

- **Creation of a Common Support Centre (CSC):** The implementation of FP7 through different Directorates-General and other bodies led, in some cases, to divergent practices across different parts of the programme. This was noted by the Court of Auditors which, called for the consistent and uniform treatment of all beneficiaries and the coherent implementation of the FP. The Commission has taken up these recommendations: the role of the CSC is to coordinate, supervise and ensure coherence across the different implementing bodies, thereby enabling uniform treatment of beneficiaries.

  Setting up of a Common Audit Service (CAS): For Horizon 2020 the CAS will undertake all audits, including for Executive Agencies and Joint Undertakings. It is a major step forward in ensuring a harmonised approach and also in ensuring that audit burden on beneficiaries is minimised.

- In 2014, **a new on-line Participant Portal was set up**, regrouping all relevant information on EU programmes for research, innovation and competitiveness. The Portal provides one single entry point for Horizon 2020 applicants and beneficiaries to get information on all support schemes and all calls in this area. To make the system as user-friendly as possible, the Commission seeks continuous advice from users.

B) ECONOMIC, SOCIAL AND TERRITORIAL COHESION (Budget Heading 1B)

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

The ERDF, CF and ESF constitute the Cohesion Policy of the EU. Its principal objective is to strengthen economic, social and territorial cohesion between regions and Member States, by concentrating resources on less developed regions and Member States. Cohesion Policy is also the most important EU investment instrument for the delivery of the Europe 2020 objectives supporting growth and job creation at EU level and structural reforms at national level. Cohesion funding represents more than 50% of the investment budget in a number of Member States (HU, SK, LT), indicating its importance in supporting their strategic investments. In other Member States, the contribution is more modest, particularly so in the more developed ('Competitiveness') regions and Member States.

The Fund for European Aid to the Most Deprived ('FEAD') is a new fund that builds on the discontinued programme of aid for the most deprived people, with dedicated financing contributing to eradicating poverty and focusing on food and basic material assistance as well as the social inclusion of the most deprived persons.

In terms of budget commitment appropriations, EUR 47.5 billion has been allocated to the programmes under heading 1B for 2014, which represents 35.9% of total 2014 EU budget for headings 1-4.

Programme[23]	Budget 2014 commitment appropriations (EUR million)
Regional convergence (Less developed regions)	23,243.6
Transition regions	4,695.8
Competitiveness (More developed regions)	7,400.5
Cohesion Fund (CF)	7,936.2
European territorial cooperation	505.7
Outermost and sparsely populated regions	209.1
Fund for European Aid to the Most Deprived	514.3
Youth Employment Initiative (specific top-up allocation)	1,804.1
Other	1,187.1
TOTAL PROGRAMMES	**47,496.4**

[23] The ERDF and ESF commitment appropriations are included under the cohesion policy strands presented in the table (i.e. regional convergence; transition regions; competitiveness; ETC; outermost regions)

In total EUR 351.8 billion is available for investment in Cohesion Policy in the 2014-2020 period. The adoption of the 2014-2020 legislation only in December 2013 delayed the process of adoption of Partnership Agreements (PAs) laying down the strategic investment priorities of Member States, and of Operational Programmes (OPs) translating these priorities into investments. This prevented the foreseen start of implementation in early 2014 but the Commission has accelerated the follow-up work to ensure that all PAs were adopted by the end of 2014. The discussions with Member States on the OPs continued in 2015. They were finalised for FEAD with all OPs adopted by the Commission by March 2015. For Cohesion Policy (ERDF; CF; ESF) 241 OPs out of 311 (77%) were adopted by April 2015. As concerns the Youth Employment Initiative (YEI), 20 Member States were eligible and 34 OPs have a YEI component. 33 of these OPs have already been adopted. A further 24 European Territorial Cooperation programmes supported by ERDF were also adopted. For 20 Member States[24] all OPs have been adopted while for Spain, Italy, and the Czech Republic a number of programmes remain to be adopted. This means that limited results under these programmes will be available in the first years of the new programming period.

During 2014-2020, Cohesion Policy programmes will concentrate resources on a limited number of policy areas contributing to the pursuit of the Europe 2020 strategy, thereby aiming to maximise the impact of EU investment. Throughout the discussions on the OPs the Commission aimed to link the investment priorities under the OP with problems identified under the country-specific recommendations during the European Semester process. For example, in Bulgaria the Cohesion Policy investments will target the improvement of the business environment, in particular for SMEs' access to finance which is a structural problem identified in recurrent CSRs for this Member State (2012-2014). According to the information available at mid-March 2015, out of all the ERDF-CF OPs adopted so far EUR 86.1 billion will be invested in smart growth (EUR 40.2 billion R&D and innovation, EUR 13.5 billion in the digital agenda, EUR 32.4 billion in SMEs), and EUR 88.2 billion in sustainable growth (EUR 37.6 billion for the low carbon economy; EUR 33.5 billion for transport and energy infrastructure and EUR 17.1 billion for preserving and protecting the environment). As regards the ESF, through its four thematic objectives, it contributes to the Europe 2020 targets for employment, education and fight against poverty. Contributing to both smart and inclusive growth EUR 73.7 billion[25] has been programmed in the 150 OPs adopted until end of April (out of 187 OPs) under the ESF and the YEI for actions promoting sustainable and quality employment, social inclusion, education, strengthening institutional capacity and efficient public administration.

Results and Impacts achieved 2007-2013 MFF programmes

The 2007-2013 cohesion policy programmes continue to operate until the end of 2015 which means that significant further progress towards final targets will still be made.

Reported Cohesion Policy achievements up to 2013 is based primarily on the latest available monitoring information obtained from the annual implementation reports submitted by the Member States in mid-2014. They should be seen in the light of the general Europe 2020 progress described in Section 1.1 of this Report.

[24] AT, BE, HR, CY, DK, EE, FI, FR, DE, EL, IE, LV, LT, LU, MT, NL, PL, PT, SK, SI

[25] ESF and YEI allocations (technical assistance included)

For the ERDF and CF the information illustrated in the graphs below is based on the core indicators which can be aggregated to the EU level[26]. For the ESF, this information is mainly data on beneficiaries and findings from the ESF Expert Evaluation Network Synthesis report (EEN Report),[27] summarising evidence collected by the Member States.

It should be noted that the use of indicators for which information can be aggregated at EU level was not compulsory during the 2007-2013 period so reporting is not comprehensive, with the exception of the compulsory reporting on participants for ESF[28]. The core indicators reflect only some of the outputs of the policy, not the results which are programme specific. They illustrate the scale of activity undertaken through Cohesion Policy which contribute (albeit modestly) to the Europe 2020 priorities.

Smart Growth (ERDF and ESF)

Based on the information reported by Member States, **Cohesion Policy investments in the smart growth area have contributed to boosting high-skilled and youth employment, entrepreneurship and the improvement of digital connectivity across the EU.**

For example, from 2007 to 2013, the ERDF and CF contributed to the creation of a substantial number of jobs (Figure 1) and facilitated the cooperation of 26,700 enterprises with research institutes (Figure 2).

As regards job creation, this figure was 59% of the target set in 2007, demonstrating the limiting effect of the global financial and economic downturn. Putting the figure in context, the jobs created between 2007 and 2013 represent 4.7% of the employment increase required to meet the Europe 2020 target of a 75% participation rate.

The number of enterprises supported to co-operate with research institutes was 87% of the target initially set, suggesting that by 2015 this target will be fully met. Again, however, this figure represents only a very small fraction of enterprises in the EU.

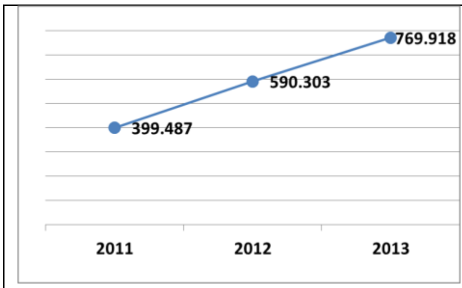


Figure1: Jobs created

Source: ERDF-CF Annual Implementation Reports

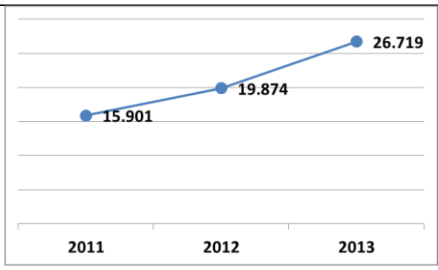


Figure 2: Number of enterprises cooperating with supported research institutions

Source: ERDF Annual Implementation Reports

[26] The ex-post evaluation of the ERDF and Cohesion Fund checked the reliability of reported data. It found that the efforts made by managing authorities during the last few years, often in reaction to Commission comments, have resulted in generally high quality of data reported in Annual Implementation Reports.

27 ESF Expert Evaluation Network Final synthesis report: Main ESF achievements, 2007-2013, ec.europa.eu/esf/BlobServlet?docId=452&langId=en

28 Annex XXIII of Commission Regulation (EC) No 1828/2006 of 8 December 2006

With the help of ERDF financing some **74,100 Research, technological development and innovation** (RTD) projects were carried out, most of them in the more developed regions ('Competitiveness regions'). **These led to almost 34,800 full-time research jobs being created,** split broadly equally between less developed regions ('Convergence regions') and Competitiveness regions. Access to high capacity telecommunication networks is a key factor of competitiveness and economic growth. ERDF invested, particularly in less developed regions, in the extension of broadband coverage. **Broadband availability is now close to 100% in nearly all EU regions,** reducing the disadvantage of less developed regions in doing business through the use of digital networks. However, coverage is higher than households' take-up, although the latter has also increased significantly in recent years (from 56% in 2009 to 76% in 2013). **Cohesion policy supported some 5 million additional households in gaining broadband coverage by the end of 2013**. Greece, France, Portugal and Poland have had implementation difficulties which the Commission is addressing in the 2014-2020 programmes.

Enterprise support has been the main source of job creation among all interventions co-financed by the ERDF so far. **In total, over 209,000 ERDF projects to support investment in SMEs were undertaken across the EU up to the end of 2013 (82% of target). These directly resulted in at least 274,000 jobs being created in SMEs (many programmes do not report this indicator). In addition, some 98,000 new firms across the EU were supported in their start-up phase (105% of the target initially set).** Forms of ERDF assistance included grant and non-grant financial assistance as well as advice and guidance provided by ERDF-funded business support centres.

Early feedback of an analysis of the support to enterprises under the ongoing ex post evaluation of ERDF and Cohesion Fund is already available: The 394 policy instruments analysed so far in detail provided funding to nearly 240,000 firms, of which 54% were micro-enterprises (with less than 10 people employed), 30% were small enterprises (with 10-49 employed) and 16% were medium-sized enterprises (50-249 employed).

For the 115,000 enterprises for which the sector of activity could be identified, 43% were in manufacturing, 17% were in wholesaling and retailing, 9% were in ICT, 6% were in the tourism, 7% in the construction sector and 25% were in other sectors.

The ongoing ex-post evaluation of the ERDF is also studying support to large enterprises and finds that in the seven countries with the highest absolute figures for large enterprise support[29] 13% (EUR 4.6 billion) of enterprise support goes to large enterprises. Support in three countries **–** PL, PT and DE – accounts for half of spending. In terms of the share of support to large enterprises in relation to the total ERDF support, the focus on large enterprises is most intense in Austria, Portugal and the Czech Republic. In the seven countries studied, 2,800 large enterprises were supported. The average support amounted to EUR 1.6 million per firm. Extrapolating these figures it can be estimated that roughly 4000 large enterprises received ERDF support in the EU as a whole (compared to 230,000 SME projects). 79% of ERDF support goes to the manufacturing sector.

For ESF, the EEN report on 2007-2013 achievements provides data that many of the interventions funded by the ESF were focused on youth. Young people were involved in over 20.9 million (31%) of the general number of participations.

In the area of Access to Employment nearly 5.6 million (29%) of the involved participants were young people, with ES, FR and UK generating most of these outputs.

[29] PL, DE, PT, ES, HU, IT, CZ

In the area of enhancing Human Capital over 10.3 million participants (40%) were young people aged 15-24. This reflects the high proportion in education and training with many of these young people still in school or university.

Sustainable Growth (ERDF and CF)

Based on the last figures reported by Member States, the progress of Cohesion Policy investments in relation to sustainable growth is uneven across sectors of intervention. The reasons for this and the corrective actions taken by the Commission are explained below.

Aiming to ensure that development and economic growth are sustainable, Cohesion Policy has invested in flood and forest fire protection measures. By the end of 2013 **over 7 million people have benefited from flood protection measures and over 28 million people have benefited from forest fire protection projects**. The latter already exceeds the 2015 target (24 million people), which indicates the good progress of investments in this sector.

Contributing to the relevant Europe 2020 target, nearly **2,700 MW additional capacity of renewable energy production was created** by the end of 2013, representing 0.72% of the estimated minimum capacity needed for actual electricity production across the entire EU (Figure 3).

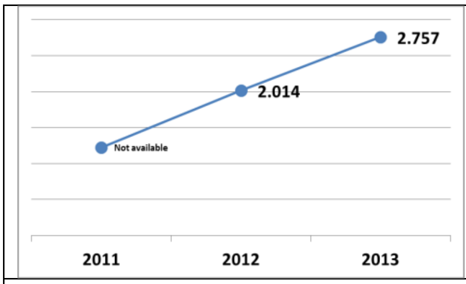


Figure 3: Additional capacity of renewable energy production (MW)
Source: ERDF-CF Annual Implementation Reports

In addition, many projects have been implemented to increase the energy efficiency of apartment blocks and public buildings especially in the EU-12 countries where both types of building are heavy energy consumers. The effectiveness and efficiency of these investments is being assessed as part of the ongoing ex-post evaluation.

Thanks to the EU co-financed investments by the end of 2013 over **4.2 million additional people have benefited from improved water supply and over 5.5 million people were served by improved waste-water treatment facilities.** However, these achievements stand at only 25% of the overall targets for 2015 indicating a serious risk for the attainment of the targets. Project implementation delays are notable in BG, SI and ES due to lengthy public procurement procedures, the economic downturn in the construction sector and subsequent bankruptcies of contractors, long national spatial planning procedures and in several cases of low technical and financing capacity of the beneficiaries - mainly local authorities. The ex-ante conditionalities introduced with the new Cohesion Policy legal framework will help to address these obstacles for the 2014-2020 programmes and should also affect positively the implementation of projects in the last years of the 2007-2013 OPs. These conditionalities are aimed at tackling problems that past experience has shown to be particularly relevant to programme implementation such as transposition of specific EU legislation, the financing of strategic EU projects, or administrative and institutional capacity.

In the area of **transport, over 3,700 km of new roads have been built out of which 1,800 km are part of the TEN-T network.** In addition, over 3,000 km of railway lines have been upgraded with EU financing (72% of the overall target). PL, CZ, PT and BG are the main contributors to the progress registered. The same holds true for Hungary, despite recent concerns regarding the regularity of project selection criteria. Some projects, however, continue to be affected by delays in public procurement and planning procedures. This is particularly the case with railway projects in Cohesion countries where the achievements reported by the end of 2013 stand only at around 20% of the overall targets. The difficulties will be addressed in the 2014-2016 period through action plans defined in close cooperation between the Commission and national authorities.

The ex-post evaluation of ERDF and Cohesion Fund asked the question as to whether the Annual Implementation Reports provided sufficient information related to major projects[30] (many of them in the field of transport and environment). This information was found to be generally absent or of poor quality. Based on a survey of managing authorities the study authors identified a total of 50 approved major projects where physical works have not yet started as of October 2014. This represents around 7% of the approved major projects. More than half of these are located in the EU-15.

The ERDF has also contributed to a more sustainable public transport, which is demonstrated by the following example:

> Five major European public transport companies have joined forces in a transnational initiative called 'Ticket to Kyoto'. Together, they exchange, innovate, and experiment with practical solutions for reducing CO2 emissions from public transport. The coordination of 5 major public transport operators is unprecedented and is a good illustration of the added value of EU-wide cooperation initiatives. It has reduced the costs of planning by enlarging the number of possible suppliers, organising eventual joint tenders and identifying the conditions for optimal implementation, developing a joint approach directly replicable to other industries. The total investment for the project was EUR 12 million, half of which (EUR 6 million) came from the ERDF.

Inclusive Growth (ERDF and ESF)

ERDF and ESF interact closely together to ensure that existing problems are tackled in an integrated way by investing both in hard infrastructure and in soft measures involving actions such as education and training.

The results reported in the EEN Report for the ESF for the period 2007-2012 show an extensive reach of the programmes funded with 68 million individual participations recorded by December 2012. Thanks to these measures over **5.7 million participants found a job, with 79% of these jobs generated in ES, FR, PL and UK. Almost 8.6 million people obtained a qualification with CZ, DE, ES, FR, IT, NL, PL SK and UK accounting for 78% of all the qualifications results, of which over 3.4 million concerned the up-skilling of employed people.** Almost 550,000 participants created their own job (self-employment) or started a new enterprise, with DE, ES, FI, FR, GR and IT generating most of these results.

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[30] Large-scale infrastructure projects over EUR 50 million are subject to a specific decision by the Commission.

The analysis of implementation reports submitted by Member States shows that ESF action broadens existing interventions by supporting groups (such as older people (50+), ethnic minorities, prisoners, Roma people) or policy areas that would not otherwise receive support (scope effects). This is the case for the UK for example, where national authorities consider that ESF funding is broadening the scope of provision by targeting groups that are not eligible for mainstream provision, as well as by extending the range of activities and providing more intensive support to the individuals facing the most severe difficulties to integrate into the labour market (i.e. individuals from minorities facing discrimination, individuals with mental health issues, physical disabilities or ex-offenders).

In the area of Access to Employment, the effects of the ESF interventions are measured in numbers of people ending up into employment and self-employment or closer to be in a position to get a job. Evaluations which have been conducted by Member States show **significant net differences in terms of employment and unemployment associated with the ESF activity. For example, individuals in ESF-supported interventions are more likely to find employment than control groups.** A number of evaluations also highlight the 'soft' results associated with access to employment interventions, including such things as more independent and effective job search, greater self-confidence, higher level of motivation towards work and more social integration generally.

In the area of Social Inclusion, ESF activities targeted participants from groups which are particularly vulnerable on the labour market: migrants (7%), ethnic minorities (12%) disabled people (14%), people with primary or lower secondary education (45%). Given the diversity of target groups, the most effective ESF interventions are those designed very specifically around the needs of these groups.

In the case of enhancing Human Capital, the ESF has helped widen the participation in training and education, especially in relation to young people, migrants and those with low qualifications (46% of participants had a lower secondary education at most). The ESF has also been used in some Member States to either raise the competences of those in work or to put in place mechanisms to recognise existing competences (DK, ES).

In the case of strengthening administrative capacity there have been over 913,000 participations reported, with the vast majority, nearly 891,000 (98%), primarily employees of public administrations, public services and social partners. The main result under this policy field is the numbers gaining a qualification – most commonly the employees of public services. Over 157,000 qualifications were achieved based on figures from only for five Member States (CY, GR, HU, MT and RO)[31]. As regards the ERDF, the aggregate monitoring information available at the moment shows **good progress of the investments in educational and childcare infrastructure with the capacity of supported infrastructure reaching nearly 6.2 million people, which already exceeds the 2015 target of 5.2 million**.

Operational aspects of performance

The Commission is carrying out several actions to ensure a sounder framework of implementation which will facilitate achievement of the programme objectives. These actions are also expected to resolve problems identified in 2014 by the Court of Auditors in five special reports on investments supported through ERDF and CF programmes under the 2000-2006 and 2007-2013 programing

[31] Other MS used different specific indicators that are not subject to aggregation.

periods[32]. In these reports the Court recommended to ensure that programme authorities put a stronger focus on the effectiveness, efficiency and economy of the projects when setting investment priorities and that monitoring project implementation should be done through suitable and transparent performance indicators.

One of the actions is a Commission initiative, within the limits of its competencies under shared management, addressing deficiencies in the administrative capacity of Member States. This is done through technical meetings, targeted advice, and dialogue with national authorities. In addition, a new public procurement manual, containing detailed guidance for beneficiaries, was presented by the Commission in 2014 together with a training programme to be implemented in 2015. It is expected that this new manual will contribute to the overall improvement of public procurement practices, which are one of the main tools ensuring the cost efficiency of interventions co-financed through the Funds. A peer-to-peer assistance instrument, aimed at enhancing the implementation of the Funds on the ground through exchange of practices and advice between Member States, has been developed by the Commission with a pilot expert exchange to take place in 2015. These actions are expected to make significant difference in the implementation of the 2014-2020 programmes.

The new 2014-2020 legislative framework has new elements such as: a stronger focus on result-orientation with a link between the financed actions and country-specific recommendations under the European semester; ex-ante conditionalities to ensure a robust implementation framework from the start of implementation; annual reporting of output and result indicators at priority axis level as well as strong provisions for impact evaluations to be conducted by Member States.

The Commission Internal Audit Service has carried out a performance audit assessing gaps between the Commission's original proposals for the ESI Funds and final outcomes of the legislative process and any resulting risks related to the attainment of programme objectives. The findings of this audit will be made available in the coming months through the Commission's annual report on internal audits[33].

2.2 Sustainable Growth: natural resources (Budget Heading 2)

Heading 2 of the financial framework covers the two pillars of the Common Agricultural Policy (CAP), notably Pillar I consisting of the market related expenditure and the direct payments financed by the European Agricultural Guarantee Fund (EAGF) and Pillar II comprising the rural development support financed by the European Agricultural Fund for Rural Development (EAFRD). The CAP is delivered under shared management. The heading also covers the European Maritime and Fisheries Fund (EMFF) (combining shared and direct management) and an envelope for the international dimension of the Common Fisheries Policy (CFP), as well as activities in the fields of climate and environment through the Programme for the Environment and Climate Action (LIFE) delivered through direct management.

Actions under this budget heading contribute mainly to the Europe 2020 objectives in the area of sustainable growth with some links also to smart and inclusive growth with regard to investments contributing to job creation and innovation.

[32] namely urban transport, renewable energy, innovation/business incubators, biodiversity and airport projects. There were no Reports completed regarding the ESF.

[33] Annual report to the Discharge authority on internal audits carried out in 2014 (Article 99(5) of the Financial Regulation).

Food security and promotion of smart, sustainable and inclusive growth for EU agriculture and rural areas are the main objectives of the Common Agricultural Policy (CAP) in the 2014-2020 MFF period. Measures under the EAGF are focused on further improving the situation of primary producers in the food chain, bringing EU commodity prices closer to world prices and supporting farm income through direct payments which are now largely decoupled from production. Under the second pillar of the CAP, the EAFRD continues to target the economic, social and environmental well-being of rural areas, and the sustainability of the rural environment. Within the new Common Strategic Framework, which also applies to the ERDF, ESF, CF and EMFF, the EAFRD will contribute to the objectives of the Europe 2020 strategy.

Fostering environmentally sustainable, resource efficient, innovative, competitive and knowledge-based fisheries and aquaculture, fostering the implementation of the CFP, increasing employment and territorial cohesion, fostering marketing and processing, as well as fostering the implementation of the Integrated Maritime Policy (IMP) are the core priorities of the EMFF under the new financial framework. The new LIFE programme is a specific funding instrument dedicated to the environment and climate action, which should operate in addition to the mainstreaming approach adopted for the 2014-2020 MFF implying that environment and climate action are an integral part of all the main instruments and interventions[34].

In terms of budget commitment appropriations, EUR 59 billion has been allocated to Heading 2 for 2014, which represents 44.6% of the total 2014 EU budget for heading 1-4.

Programme	Budget 2014 commitment appropriations (EUR million)
European Agricultural Guarantee Fund (EAGF) — Market related expenditure and direct payments	43,778.1
European Agricultural Fund for Rural Development (EAFRD)	13, 990.3
European Maritime and Fisheries Fund (EMFF)	861
Environment and climate action (LIFE)	403.4
TOTAL	**59,032.7**

2014 was a transitional year, when the revised system of market measures started to apply following the 2013 CAP reform, while 2015 was the start of implementation of reformed direct payments. The Commission focused its efforts on examining and approving the 2014-2020 Rural Development programmes (RDPs) and ensuring the implementation of the new direct payment scheme. By the end of May 2015 a total of 51 RDPs out of 118 programmes are foreseen to be adopted by the Commission with the rest of the programmes to be approved in the course of 2015.

Considerable effort was also dedicated to accelerating the adoption of the EMFF operational programmes in order to compensate for the late adoption of the EMFF regulation in May 2014. By April 2015, five[35] operational programmes out of 27 programmes were approved by the Commission.

[34] The 2014-2020 EU Multi-annual Financial Framework (MFF) includes provisions that seek to mainstream the EU's climate and environment objectives in all major EU policies including cohesion, agriculture, maritime and fisheries, research and innovation, and external aid programmes. Mainstreaming is to be achieved through a range of requirements for benchmarking, monitoring and reporting for all relevant EU policy instruments.
[35] Latvia, the Netherlands, Austria, Malta and Finland.

The late adoption of the LIFE Regulation and the subsequent Multi-Annual Work programme for 2014-2017 has slightly delayed the start of the new LIFE programme. Nevertheless, the first call for proposals was successfully launched in 2014.

Results and Impacts achieved 2007-2013 MFF programmes

The achievements reported below are based mainly on latest available monitoring information on programme implementation.

In 2014, the agricultural sector has been influenced by the fall of agricultural as well as energy prices and the significant impact of the Russian ban on EU food products introduced in August 2014. **Despite these difficult economic circumstances, the CAP ensured that agricultural income in the EU decreased only to a limited extent**. Direct payments contributed to this effect as well as the immediate CAP measures implemented after the Russian ban to stabilise markets. In the EU27, agricultural income has fallen by 8% between 2003 and 2013[36] and remains below the average in the EU. However, while agricultural income has decreased in the EU15, it has grown by 43% in the EU12 over the same period (albeit from a much lower base). **It is estimated that agricultural income would be 22% lower in the EU27 without CAP direct support,** however with large differences between the various Member States depending on farm structures.

The CAP has continued to promote a sustainable management of natural resources and climate action via related requirements linking direct payments to compliance by farmers with basic standards concerning the environment, food safety, animal and plant health and animal welfare, as well as through dedicated Rural Development measures such as agri-environmental measures and organic farming. The expansion of the surface under agri-environmental schemes during the 2007-2013 programming period (46.9 million ha, representing more than 25% of the EU-27 Utilised Agricultural Area in 2013) has played an important role in the improvement of the environmental performance of EU farming. **Emissions from the agricultural sector have continued to decline, showing an average annual rate of decrease of 1.7% between 2001 and 2012. The share of agriculture in total net emissions has also continued to decline.**

The CAP also promoted a balanced territorial development in the EU through its various instruments. For instance, the **income support provided to the vast majority of the 12 million agricultural holdings and its associated 25 million people is a crucial element for maintaining employment**.

In addition, **innovation support has so far been channelled to 136,000 farms that have introduced new products or technologies in their farm businesses**, such as a new high-tech bioethanol plant in Estonia processing waste vegetable material and sugar beet. The new plant has created 20 additional jobs in the region and is currently capable of producing 5,000 litres of bioethanol per day from processing waste vegetable material and sugar beet, which is a clear sign of the effectiveness of the investment.

Concerning **the EFF** (the predecessor of EMFF), implementation slowed down, particularly in most of the Mediterranean and Black Sea Member States due to the financial and economic downturn. This is evidenced by the fact that by the end of May 2014 only 85% of the total appropriations had been committed by Member States leaving a significant part of the EFF still to be committed. This indicates that **full attainment of the programme objectives is unlikely despite corrective actions taken by the**

[36] Figures are based on the implementation reports of 2014.

Commission since July 2012 such as adopting amendments to Operational Programmes to adapt co-financing rates, to shift resources between priorities and to take into account automatic de-commitments.

Processing operations represent close to 17% of EFF commitments and are the most used measure of the EFF. By providing financial support to nearly one third of the total investments in the sector, the EFF has contributed to the good economic performance of the EU fish processing sector, which according to 2014 data is generating EUR 27.9 billion of income.

A study on Axis 4 of the EFF[37] shows that the **sustainable development of fisheries and aquaculture areas delivers promising, positive results**. Most of the 312 FLAGs (fisheries local action groups) remain active and by the end of 2014, more than 9,800 projects had been approved, a significant increase over the 6,363 that had been approved by the end of 2013[38]. It was also estimated that this would lead to the creation of over 200 new firms with Axis 4 support and to the creation of some 7,300 new jobs while a further 12,500 jobs would be maintained at an estimated cost of EUR 32,000/job created or maintained.

The **EFF has also helped achieve better balance between fishing capacity and available fisheries resources** by contributing to the permanent cessation of nearly 4,100 fishing vessels by May 2014, which represents an increase by 2.5 % in one year.

Concerning the last programming year of the LIFE+ programme (predecessor of LIFE), in 2014, the Commission approved funding for 225 new projects. The projects selected were submitted by beneficiaries from all 28 Member States and cover actions in the fields of nature conservation, climate change, environmental policy and information and communication on environmental issues across the EU. Overall, they represent a total investment of some EUR 589.3 million, of which the EU will provide EUR 282.6 million.

Operational aspects of performance

In 2014, the Court of Auditors published four special reports covering the responsibilities of the Commission in the areas of agriculture and rural development.[39] Among other issues, the Court recommended to improve the effectiveness and efficiency of investments, as well as to strengthen the monitoring and evaluation systems applied under the CAP.

The recommendations of the Court have been addressed by the Commission in the preparation of the 2014-2020 programmes. A strengthened monitoring and evaluation framework has been introduced for the CAP, which will allow for better tracking of the effectiveness and efficiency of the financed interventions. For the first time the monitoring and evaluation framework will cover the

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[37] Study on the implementation of Axis 4 of the European Fisheries Fund, 25 July 2014; http://ec.europa.eu/fisheries/documentation/studies/axis-4/index_en.htm

[38] FLAG projects range from direct sales and promoting the added value of fisheries products to initiatives that combine marketing and environmental elements, in fisheries and aquaculture. This can be illustrated by the examples provided in the brochure "Sailing Towards 2020: Axis 4 in Action" published on: https://webgate.ec.europa.eu/fpfis/cms/farnet/files/documents/Farnet_Brochure2020_EN_WEB.compressed.pdf

[39] Special Report No 4/2014: "Integration of EU water policy objectives with the CAP: a partial success"; Special Report No 8/2014: "Has the Commission effectively managed the integration of coupled support into the Single Payment Scheme?"; Special Report No 9/2014: "Is the EU investment and promotion support to the wine sector well managed and are its results on the competitiveness of EU wines demonstrated?"; Special Report No 22/2014: "Achieving economy: keeping the costs of EU-financed rural development project grants under control".

whole CAP (both pillars) and will include a set of output, result and impact indicators that will help to assess the achievement of the policy's general objectives.

In line with the general evolution of the ESI Funds, the EMFF is also more result-oriented in the 2014-2020 period. The programming process is organised more systematically through a clear logic of intervention, using a hierarchy of Union Priorities, specific objectives and measures. These are in turn translated in common financial, output and result indicators that will be closely monitored in the framework of a strengthened monitoring and evaluation system.

Concerning the EFF, a report by the Court of Auditors[40] revealed that the instrument failed to deliver value for money and effective support for the sustainable development of aquaculture. The auditors found that projects usually failed to achieve the planned results. To ensure that EU funds available for aquaculture are spent in a targeted way, the Commission has asked national authorities to prepare multiannual national plans for the development of aquaculture in each Member State based on Strategic Guidelines[41]. In line with the ex-ante conditionality on aquaculture, the Commission will not adopt the EMFF operational programmes unless Member States have submitted appropriate multiannual national strategic plans for the promotion of sustainable aquaculture, where relevant.

With a view to ensuring a smooth start of the implementation of the new programmes under this budget heading, the Commission has also introduced some additional operational adjustments at working level. Notably, a "Task-Force on Rural Development post-2013" (TF) was created in 2012 to provide assistance to the Member States in the preparation of the rural development programmes 2014-2020. Since 2012 the TF has regularly met, among others to develop guidance documents both for the Member States on the content of the policy, and for the desk officer as regards the assessment of submitted programmes (e.g. detailed checklists for each of the rural development measures). In addition, a "Consistency Board" was set-up. It has ensured a coherent approach on selected relevant issues, such as synergies and complementarities of planned interventions with interventions under the CAP first pillar and other funds of the Union, proposed approach in the implementation of specific rural development measures, etc.

In 2014 the Commission delegated a major share of its budget under direct management to the Executive Agency for Small and Medium-sized Enterprises (EASME) in the area of control, scientific advice and the Integrated Maritime Policy (IMP). Based on the cost-benefit analysis, the use of the executive agency is expected to generate a saving of almost EUR 5 million over the programming period 2014-2020, when compared with the in-house scenario.

As of 1 May 2014, a part of LIFE was also delegated to EASME. The part of the programme that is delegated to the agency concerns the implementation of action grants for so called traditional and capacity building projects and operating grants for NGOs under the new legal base. This delegation allows EASME to identify synergies between LIFE, Horizon 2020 and the other programmes that it manages.

2.3 Security and Citizenship (Budget Heading 3)

The programmes under Budget Heading 3 consume a small share of EU budget (1.2% of the 2014 EU budget for headings 1-4) and are implemented either via direct or shared management modes.

[40] Special Report No. 10/2014: "The effectiveness of European Fisheries Fund support for aquaculture".
[41] http://ec.europa.eu/fisheries/cfp/aquaculture/official_documents/com_2013_229_en.pdf

The programmes aim to support high level political objectives such as the establishment of an open and secure EU, the setting up of a European Area of Justice and Rights, improving the health of EU citizens, protecting consumers and promoting youth, culture and dialogue with citizens. Because of their small size, these budgets cannot be directly correlated with the achievement of these objectives.

In terms of budget commitment appropriations, EUR 1.49 billion has been allocated to Heading 3 for 2014.

Programme	Budget 2014 commitment appropriations (EUR million)
Asylum Migration and Integration Fund (AMIF)	403.3
Internal Security Fund (ISF)	399.1
Food and Feed	253.4
Rights, Equality and Citizenship Programme	55.3
Justice Programme	47.0
Union Civil Protection Mechanism	28.2
Europe for Citizens	25.6
Consumer Programme	24.1
Other actions and programmes, IT systems, agencies	259.1
Total	**1,495**

Implementation of the Asylum Migration and Integration Fund (AMIF) and the Internal Security Fund (ISF) has suffered from delays in the adoption of the legal frameworks: The basic, delegating and implementation acts were adopted in April and July/October 2014. Annual work programmes defining funding priorities for both funds were adopted in August 2014. On that basis the national programmes for Member States are being approved by the Commission: by April 2015 a total of 22 of the 58 national programmes have been approved with the remaining foreseen by the end of 2015. The Creative Europe Programme was rolled out almost as planned and fed VALOR (an IT system for disseminating results) with first projects in the fourth quarter of the year. Other programmes, such as the Justice Programme and the Rights, Equality and Citizenship Programme only managed to sign a few grant agreements in 2014. However, this should not affect the overall implementation of 2014 budgetary appropriations, which will continue in 2015[42].

Results and Impacts 2007-2013 MFF programmes

The ex-post evaluation of Civil Protection Financial Instrument and Community Civil Protection Mechanism[43], predecessors to the Union Civil Protection Mechanism (UCPM), concluded that the coordinated emergency response at EU level was efficient and coordinated assistance. With regard to EU added value, the evaluation found that **83% of the projects would not have taken place without EU co-funding, even though they are highly relevant as they strengthen the cooperation**

[42] Individual commitments can still be done in N+1 (2015), so the delay has no financial consequence but it will delay reporting on outputs and achievements of the programme.

[43] The evaluation covered the period 2007-2013. In the period 2007-2013 the Mechanism consisted of Monitoring and Information Centre (MIC); the training programme; and Modules and Technical Assistance and Support Teams (TAST); Prevention and preparedness projects; a prevention policy framework; marine pollution and actions with third countries.

between participating States; that projects address gaps in national response capacities and bring visibility to the EU.

Evaluations were also carried out on the "Better Training for Safer Food (BTSF)" and on the "2013 European Year of Citizens." The first concluded that **the quality of the training is high, (with 85% of participants stating a high degree of satisfaction), while the costs of the programme are broadly in line with other similar programmes.** However, the evaluation also underlined that effectiveness could be strengthened through better targeting of participants and increased dissemination. The second evaluation concluded that the financial resources made available for the 2013 Year of Citizens did not match the ambition of the initiative and hampered its sustainability. Nevertheless, individual activities were found to be effective in increasing citizen's awareness of their EU rights.

Operational aspects of performance

Two special reports of the Court of Auditors covered programmes financed in the field of migration, asylum and internal security. The External Border Fund (EBF)[44] was found to have contributed to external border management and to have fostered financial solidarity. However, the report also highlighted that EU added value was limited, that its effectiveness was hampered because of Member States' partially ineffective management systems and lack of monitoring.

The second audit report covered the implementation of the Schengen Information System II. Here the Court found that the Commission delivered the central system more than six years later than initially planned and at eight times the initial budget estimate. The delay and overspending resulted to a large extent from the challenging governance context[45] which limited the Commission’s ability to address operational issues.

The Commission put in place several measures in 2014 to incorporate lessons learned from the previous programmes and replicate best practice.

For example, the Commission incorporated compulsory indicators to monitor effectiveness and efficiency into legal basis of the ISF. This should strengthen evidence gathering, thereby ensuring that upcoming evaluations will have quantitative data to base their assessments on. Recommendations of the external evaluation on CPFI were taken into account of and some of them integrated in the design of UCPM. Exercises, training, projects and exchange of experts for example are now given higher priority, which should strengthen operation of the Mechanism's operation.

Other programmes, also took concrete actions to increase their effectiveness and efficiency. The Health and Consumer programmes for example got access to the Horizon 2020 IT platform for grant management, which resulted in cost savings of approximately 60 person days during the evaluation and submission phase representing ca. 2% of the total human resource costs of the unit. Overall, efforts were also deployed to reduce administrative burden imposed on participants and to reduce costs and errors on side of the Commission.

[44] Predecessor to AMIF and ISF programmes.

[45] The Council took the decision to develop SIS II without a Commission proposal. Many system requirements were not foreseen from the start and were only added later.

2.4 Global Europe (Budget Heading 4)

The programmes under Budget Heading 4 and the European Development Fund finance the different dimensions of the Union's external policies. An important part of the funding under Heading 4 is indirectly managed and implemented by third organisations, such as UN agencies, while the remaining is either directly managed by the Commission (mostly grants) or indirectly by beneficiary countries or through shared management.

In terms of budget commitment appropriations, EUR 8.3 billion has been allocated to Heading 4 for 2014, which represents 6.3% of the total 2014 EU budget for headings 1-4.

Programme	Budget 2014 commitment appropriations (EUR million)
Development Cooperation Instrument (DCI)	2,345.0
European Neighbourhood Instrument (ENI)	2,315.0
Instrument for Pre-Accession (IPA)	1,478.6
Humanitarian aid	1,081.7
Instrument contributing to Stability and Peace (IcSP)	276.8
Common Foreign and Security Policy operations (CFSP)	301.1
Others[46]	515.3
TOTAL	8,313.5

The European Development Fund is financed outside the EU budget. The most important programmes in financial terms, contribute to the EU's primary development aid objective 'to reduce and in the longer term to eradicate poverty' (Article 208 TFEU). These are the Development Cooperation Instrument (DCI); the European Development Fund (EDF) and the European Neighbourhood Instrument (ENI), the last one also including a wide range of reform objectives contributing to political reforms, economic integration and management of migration. Other financially important programmes are the Instrument for Pre-Accession (IPA) supporting pre-accession countries to prepare them for EU membership; Humanitarian Aid which gives ad-hoc relief and assistance to the most vulnerable people affected by natural disasters or man-made crises; the instruments supporting the prevention of conflict and the strengthening of international security (Instrument contributing to Stability and Peace (IcSP) and the Common Foreign and Security Policy operations (CFSP)). This chapter focusses on these main programmes.

In 2014, financing continued under predecessor programmes (MFF 2007-2013). Following the adoption of the main legal acts in March 2014 the multi-annual indicative programmes for the new 2014-2020 MFF were prepared, but actual implementation of most programmes could only start in 2015 or later. In line with the strengthened focus on results, the programming documents include

46 European Instrument for Democracy and Human Rights; Partnership Instrument; Instrument for Nuclear Safety Cooperation; Macro Financial Assistance; Union Civil Protection Mechanism and European Emergency Response Centre; European Voluntary Humanitarian Aid Corps EU Aid Volunteers; Cooperation with Greenland; Instrument economic development of the Turkish Cypriot community; other actions and programmes; pilot projects and preparatory actions.

systematically a clear logic of intervention, defining specific objectives and related results indicators for each of the concentration sectors. These should then become part of the results chain to be built up over implementation and to be monitored in the framework of strengthened monitoring and evaluation systems.

Given the delay in adoption of the 11th European Development Fund, which entered into force in March 2015 whilst the predecessor scheme ended the fourth quarter of 2013, a bridging facility was established under the 10th EDF ensuring continuity of operations.

Results and Impacts achieved 2007-2013 MFF programmes

EU development aid contributes to the United Nations Millennium Development Goals (MDGs) for which progress is measured, amongst others, through indicators on poverty, education and health which set targets for the year 2015. Although these indicators are influenced by a multitude of factors beyond EU development aid, they represent the long term development progress achieved by EU partner countries.

MDG Impact indicator on poverty:

Halve between 1990 and 2015 the proportion of population living in extreme poverty

Target achieved in 2010 – East Asia and Pacific have had good results in poverty alleviation, but Sub-Saharan Africa still lags behind

MDG impact indicator on education:

Ensure that by 2015 children everywhere, boys and girls, can fully complete primary school

Target not reached - enrolment rate up to 90%, but completion rate at 73%: While substantial progress was made, only East Asia and Pacific, Europe and Central Asia have achieved/ close to achieve target

MDG Impact indicator Health

Reduce by two thirds the under-five mortality rate between 1990 and 2015

Target not reached, but under-five mortality rate dropped by almost half. Developing countries as a whole are likely to fall short of the target. East Asia, Pacific and Latin America and the Caribbean have achieved it.

The EU and Member States jointly provide half of the world's development assistance. In terms of financing specifically directed towards education and health, under the 2007-2013 MFF the EU supported education in 42 countries with EUR 4.2 billion and health in 43 countries with EUR 3.2 billion. Below examples are given illustrating the link between EU interventions and progress on related MDG indicators in different countries.

In Mozambique, an evaluation concluded that budget support in 2005-2012 has helped to make it possible for the government to spend an average some 20% of total expenditure on education. This has resulted in **40% more children attending primary school and 65% more attending secondary**

school in 2012 compared to 2004 with the largest gain for poorer households. However, there has been almost no change in absolute poverty in this country; one of the main reasons being the failure of the agricultural policy to significantly improve agricultural production. In Bangladesh, where absolute poverty fell from 50% to just over 30% between 1990 and 2015, the EU contributed EUR 38 million to a food security programme which has helped **nearly 325,000 vulnerable and women-headed households to get out of extreme poverty and achieve household nutrition security.** In El Salvador, the EU contributed EUR 47 million through sector support to a Government programme of EUR 690 million to increase the provision of public services to the poorest and more vulnerable people (aimed to reach 750,000 or 13% of the total population) with the following results to date: an **additional 30% of the 51% targeted people older than 70 are now covered by a basic pension; 226,000 of the targeted 260,000 families are receiving preventive medical care;** seven of the fifteen planned offices have been set up for the prevention of violence against women; **70% of the planned 80% of population in the municipalities are covered with access to drinking water and basic sanitation; over 84% of the planned 95% of the population has been provided with access to electricity.** Given that the project is still running, it is expected that the targets will be reached.

Under the Instrument for Pre-Accession to the EU (IPA) progress made by candidate countries (the Western Balkan and Turkey) in implementing political reforms and EU acquis is mixed[47]. **Highlights are the launch of accession negotiations with Serbia; the granting of the status of candidate country to Albania; the completion of the screening process and the opening of new negotiating areas with Montenegro.** However, the accession process with Turkey was negatively affected in 2014 by arrests and clamp down on media freedom in Turkey. In Bosnia and Herzegovina, the standstill in the EU integration process continued and funding under IPA was reduced, because no agreement was reached on the establishment of the coordination mechanism and implementation of a judgment of the European Court of Human Rights relating to discriminatory legal provisions on the rights of minorities to stand for elections.

An evaluation of IPA assistance for infrastructure projects in five countries in the period 2005-2011 found that financed projects were well targeted and responded to a real demand. Most of the sample projects confirmed full accessibility and proper use of the provided infrastructure and equipment in line with project objectives. Compared to similar national actions the evaluation found evidence that IPA projects ensured good value for money because of less corruption due to intensive supervision and independent tender evaluations. Different aspects of EU-added value were identified, such as enhanced strategic planning, technical assistance and capacity building for beneficiaries; complementary or unique sources of financing; and demonstration of benefits of EU integration.

In a context of a major surge in humanitarian crises in 2014, the Commission provided relief through Humanitarian aid to the most vulnerable people in more than 80 countries. An example is Syria, where in 2014 aid from the **EU budget increased by 80% from EUR 515 million to EUR 817 million compared to 2013 allowing support to the 12.2 million people in need of humanitarian assistance inside Syria as well as to the millions of Syrian refugees and their host-communities in the region** in the form of medical emergency relief, protection, food-nutritional assistance, water, sanitation and hygiene, shelter and logistics services.

[47] The indicators do not allow differentiating between progress made thanks to policy dialogue or financial support.

The EU is one of the leading humanitarian donors in the response to the Syria crisis with around EUR 3.6 billion committed by the EU institutions and Member States collectively in humanitarian, stabilisation and development assistance. **Also in Eastern Ukraine, humanitarian aid addressed the basic needs of more than 1 million displaced people providing shelter, food, water, healthcare, psycho-social assistance and protection in preparation for winter.** In Central African Republic (CAR), where over half of the 4.6 million population is in need of humanitarian assistance the EU provided over EUR 128 million in aid for humanitarian interventions, including to CAR refugees in neighbourhood countries, and organised repeated airlifts of aid workers and relief material into CAR. **Funding addressed the basic needs of more than 2.6 million displaced people in CAR and at least 338,500 refugees and returnees in the neighbouring countries** (Cameroun, Chad, Democratic Republic of Congo and the Republic of Congo) providing shelter, food, water, healthcare, psycho-social assistance and protection.

The trend observed on the impact indicators measuring conflict intensity in the countries where main CFSP operations were deployed is more positive than the overall world-wide trend although direct causal link cannot be made given the influence of external factors and the other involved actors. Whereas the number and intensity of conflicts increased in 2014 compared to 2013 from 414 to 424 amongst which 21 wars (intensity level 5) compared to 20 in 2013, the intensity of conflicts in main CFSP operations were deployed stabilised in Kosovo, Afghanistan, Sahel Niger and it decreased in Georgia, Mali and DR Congo. However, the conflict intensity increased in the Palestinian territories, Libya and Ukraine.

As regards the predecessor of the IcSP, evaluation evidence became available on aid to crisis preparedness (EUR 103 million in 2007-2013), which aims to build institutional capacity to address conflict before it escalates[48]. On the positive side the evaluation concluded very broadly that crisis preparedness is highly relevant to the international commitments of the EU and that financed projects have built or strengthened the capacity of organisations to contribute to peace-building efforts. This was achieved by financing a higher number of entities engaged in conflict prevention (e.g. community groups) and a higher number of mediation processes and political dialogue. For example, the financed early warning and early response system in Timor-Leste had an impact on government, civil society and international agencies. Data generated by the system is being used at all levels for policy and security briefings because it is trusted and timely. This has reinforced community preparedness and responses to emerging conflict and inter-community tensions. The number of conflicts in several areas has decreased significantly after the introduction of the system.

Although it is difficult to measure exactly the conflicts prevented by the early warning system, in this case all interviewed stakeholders indicated that the system was working well and that 70% of the conflicts could be solved immediately at grassroots level. However, overall the evaluation found that picture as regards actual reduction of conflict remains diverse with ownership being one of the key factors influencing the achievement of impact.

Given that conflict prevention activities seldom generate economic gains that can help sustain funding beyond a given project the sustainability of results without further financial support was highlighted. Complementary funding through longer-term development aid may address this. The issue of aid sustainability related to poor capacity of administrations and public service was raised

[48] Evaluation IfS Crisis Preparedness Component 2007-2013.

also in other evaluations[49] as well as the importance of securing ownership to ensure effectiveness and impact[50]. Limited ownership is often related to a poor alignment of donor's objectives and government interest and ownership can be improved by policy dialogue and stakeholder participation in the design of the strategy and programmes.

Operational aspects of performance

A number of evaluations carried out in 2014 confirm the challenging context under which external aid is deployed, such as cooperation with different donors and the poor capacity of administrations in partner countries and the need to react rapidly in difficult circumstances. For example, a performance audit by the Court of Auditors on humanitarian aid to Haiti referred to the difficult context under which aid has been granted, such as weak national authorities, and noted that it proved challenging to ensure a smooth transition between activities financed under different instruments and to coordinate with multiple donors. The institutional weakness of the administration of Haiti was confirmed to be a major obstacle in the effective implementation of aid by an evaluation of EU cooperation with Haiti over the period 2008-2012 (EUR 485.6 million development support; EUR 210 million emergency aid). It was recommended that State building should be at the core of the EU strategy in order to ensure efficiency and sustainability of aid.

Overall, evaluations have broadly confirmed the relevance of EU cooperation and showed that EU actions have addressed core development needs in line with national priorities. The way the EU operates in fragile countries is positively assessed, notably its capacity to stay flexible and keep sight of the shorter and longer term approaches, addressing both core development problems and emergencies. On the negative side, performance feedback criticises lack of focus and fragmentation of aid[51] which affects impact[52] and leads to inefficiencies and administrative burden and lack of monitoring and performance framework[53]. As regard regional development aid in Asia[54] it was found that the regional programmes did not achieve a real regional dimension. The need to improve links between programming and a broader country; regional or sector strategy was confirmed in other evaluations[55].

The assessments of the performance evidence of aid projects funded under the previous MFF- period are reflected in the direction taken in the new 2014-2020 MFF external aid programmes to differentiate aid amongst partner countries according to their specific economic situation, to concentrate resources where they are most needed (now each country programme has fewer sectors than in the past), to improve EU coordination between financial programmes and to maximise policy coherence. Also the monitoring and reporting systems are being reviewed, including in particular the launch of a corporate results framework[56] which will provide the basis for a first report on results in 2015. The strengthening of these systems will equally be beneficial for the quality and use of project and strategic evaluations.

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[49] Evaluation Democratic Republic of Congo
[50] 'Evaluation Kenya; Evaluation Asia; Evaluation Cameroon; Evaluation Western Balkans; Evaluation Burundi
[51] Special Report No. 13/2013: "EU development assistance to Central Asia".
[52] 'Evaluation Kenya; Evaluation Western Balkans; Evaluation Asia
[53] Evaluation Western Balkans; Evaluation crisis preparedness; Mid Term Review CT Sahel; Mid-term evaluation Council of Europe Programme; 'Evaluation Kenya; Evaluation Cameroon; Evaluation Democratic Republic of Congo; Joint Evaluation Budget Support Morocco; Evaluation EU cooperation occupied Palestinian Territory.
[54] See footnote 36.
[55] Evaluation Youth in Action Window; Evaluation EU support to refugees Bosnia; IPA programme Western Balkan and Turkey: Mapping of Sector Strategies; Evaluation Western Balkans; 'Evaluation Kenya, Evaluation Haiti.
[56] With a slightly different focus and methodology as far as enlargement countries are concerned.

3. Conclusion

The findings in this year's edition of the Article 318 Report reflect the transitional nature of the financial year 2014. It was the first year for the financial programmes under the new 2014-2020 MFF period. At the same time projects continued to be financed under the programmes covered by the 2007-2013 MFF period. Most of the evaluations of those programmes have not yet been completed.

Under the new 2014-2020 MFF, most of the programmes under direct management started to be implemented, with calls for proposals being launched and first projects receiving financing. Programmes under shared management have been delayed due to the late adoption of the 2014-2020 MFF Regulation and of legislative acts laying down provisions for the implementation of European Structural and Investment Funds (ESIF). This led to the subsequent delay in submission and approval of Partnership Agreements with Member States and of their Operational Programmes. Annual reporting on the implementation of these programmes will only start as of 2016.

Most Court of Auditors and evaluation criticisms from the earlier set of programmes have led to changes to the design of the current programmes with a view to improved efficiency, effectiveness, monitoring and reporting. Some very major management adjustments have been made, for example the out-sourcing of the management of a number of programmes under direct management to five executive agencies and the introduction of the Common Support Centre for the implementation of Horizon 2020.

Under the 2007-2013 MFF, spending continued to be wound-up. Implementation is mostly on track. Some ex-post evaluations that became available in 2014 relating to smaller spending programmes aiming to solve specific issues or on components of spending programmes and the results of these assessments are provided in this report. These provide most of the available information on the EU added value of actions financed through the EU budget. Furthermore, a non-exhaustive list of concrete project examples has been provided throughout this Report and its accompanying SWD1. The EU added value of the Project Bond Initiative and the EU's reaction towards the Ebola outbreak are also provided as examples.

Overall, the results given in evaluation reports and performance audits on the 2007-2013 MFF provide initial confirmation of the relevance of the direction taken in the new 2014-2020 MFF programmes focussing on European political priorities and Europe 2020 goals and including better systems to monitor performance against set benchmarks and targets.

Subsequent reports will supplement these early indications and confirm progress in the implementation of the new programmes, in due course providing the results of the interim evaluations due in 2016 and 2017 and reporting on the performance of the programmes under the previous MFF on which information will become available in 2015/2016 through ex-post evaluations for major programmes which are currently ongoing: the Seventh Framework for Research and Development, the ERDF, the Cohesion Fund and the ESF.