



2018

Annual Activity Report

**DG Maritime Affairs
and Fisheries**

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THE DG IN BRIEF

The Directorate-General for Maritime Affairs and Fisheries (DG MARE) reports to Commissioner Karmenu Vella, and designs and implements the **Sustainable Blue Economy**¹ and the **Common Fisheries Policy** (CFP).

Building on President Juncker's Agenda for Jobs, Growth, Fairness and Democratic Change and Commissioner Vella's Mission Letter, and in line with the CFP and the United Nations' Sustainable Development Goals (SDG) - notably SDG 14 "Conserve and sustainably use the oceans, seas and marine resource for sustainable development" - DG MARE focuses on actions that enable the European Union to further develop its **leading role in tackling the growing ocean challenges** both within its own geographical area and at an international scale.

The Commission's **strong commitment to the sustainability, security and prosperity of our oceans** is reflected in DG MARE's main priorities: Ensuring that the ocean resources are used sustainably and that coastal communities and the fishing sector have a prosperous future, stimulating a sustainable Blue Economy and promoting Ocean Governance at international level.

DG MARE contributes to the effective and efficient delivery of the Juncker Commission's political priorities. With 320 staff members², DG MARE in 2018 was composed of five directorates³, which report directly to Director-General João Aguiar Machado. The Director for General affairs and Resources is in charge of risk management and internal control for the DG.

The **main partners** for DG MARE are:

- public bodies (other EU institutions, Member States and their national or regional administrations, coastal regions and third countries);
- the blue economy industries, including fishing and aquaculture, and related organisations;
- scientific advisory bodies, such as the Scientific, Technical and Economic Committee for Fisheries (STECF) and the International Council for the Exploration of the Sea (ICES);
- a wide range of maritime stakeholders (maritime professions, non-governmental organisations and civil society, opinion makers, marine and maritime research, academia);
- the public at large, and namely consumers or citizens of coastal regions.

¹ 'Sustainable blue economy' means all sectoral and cross-sectoral economic activities throughout the single market related to oceans, seas, coasts and inland waters, covering the Union's outermost regions and landlocked countries, including emerging sectors and non-market goods and services and being consistent with Union environmental legislation (COM(2018)390 – article 3 (2) (15)).

² Situation at 31.12.2018: establishment plan posts and external personnel (contract agents and Seconded National Experts).

³ The five directorates cover: Maritime Policy and Blue Economy (directorate A), International Ocean Governance and Sustainable Fisheries (B), Fisheries Policy in the Atlantic, North Sea, Baltic and Outermost Regions (C), Fisheries Policy in the Mediterranean and Black Sea (D), and General Affairs and Resources (E).

DG MARE also works closely with the Advisory Councils, the European Fisheries Control Agency (EFCA), the Executive Agency for Small and Medium-sized Enterprises (EASME), other Commission services as well as administrations of partner countries and international organisations.

The major part of the DG's **budget** is implemented under shared management (82% of payments in 2018). For the 2014-2020 period, the European Maritime and Fisheries Fund (EMFF) is the main instrument to support the Common Fisheries Policy and the Integrated Maritime Policy, the European Fisheries Fund (EFF) being its predecessor for the 2007-2013 period. Member States implement the budget and establish management and control systems to ensure correct programme implementation.

Sustainable Fisheries Partnership Agreements is the second highest area of expenditure (11% of payments in 2018). The main risk associated with fisheries agreements is operational and relates to the evaluation of fishing opportunities either in terms of available stock or take-up by the EU fleet.

As to the financial management of DG MARE, the residual error rates for expenditure 2018 under shared management were 1,57% and 0,92% for the EMFF and EFF respectively.

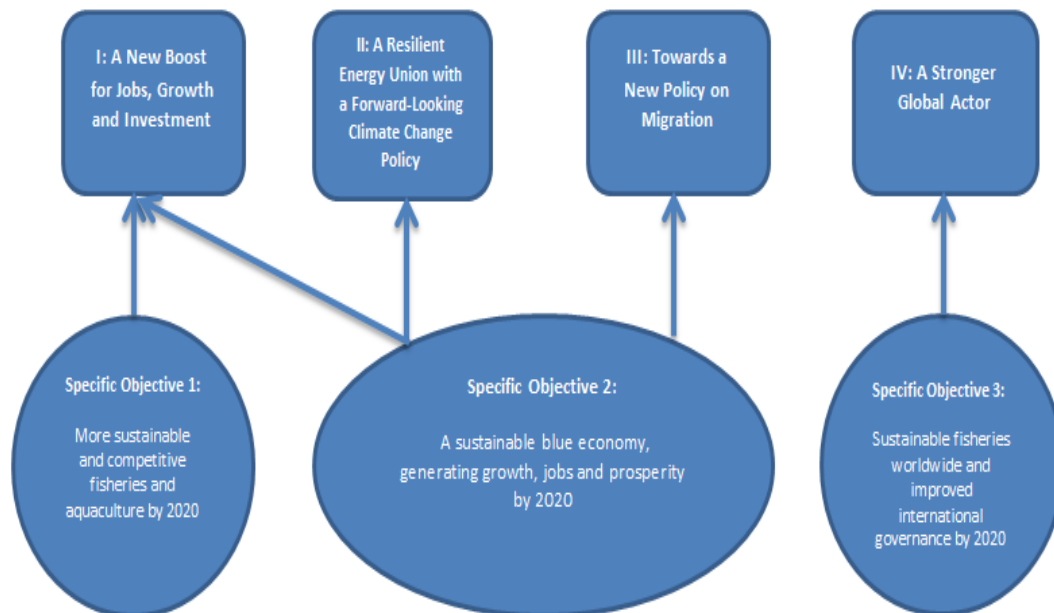
This Annual Activity Report (AAR) describes **DG MARE's main achievements in 2018** and the challenges it faced. It mirrors the 2018 Management Plan that translates the DG's mission into general and specific objectives. An account is given of how these objectives have been achieved, with the resources DG MARE had at its disposal. Progress is measured through key performance indicators. The AAR also covers management aspects and assesses the effectiveness of DG MARE's internal control framework.

EXECUTIVE SUMMARY

The Annual Activity Report is a management report of the Director-General of DG MARE to the College of Commissioners. Annual Activity Reports are the main instrument of management accountability within the Commission and constitutes the basis on which the College takes political responsibility for the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the Treaties⁴.

a) Key results and progress towards the achievement of general and specific objectives of the DG (executive summary of section 1)

DG MARE's main priorities for 2018 reflected the three specific objectives set out in our Strategic Plan 2016-2020, which contribute to four general objectives of the Commission, each corresponding to one of the ten priorities defined in President Juncker's political guidelines. The graph below illustrates the inter-linkages between specific and general objectives.



The inter-linkages between the general and specific objectives and the related impact and result indicators are explained in the introduction to the performance tables in Annex 12.

⁴ Article 17(1) of the Treaty on European Union.

Oceans are a source of life to our planet. They provide food, regulate the climate and produce oxygen. Oceans also offer a great potential for boosting growth, jobs and innovation, and a large share of our economy already depends on the sea. Yet the ocean's health and its capacity to provide these services are put in danger by pollution, ocean warming and the over-exploitation of marine and maritime resources.

For oceans to remain healthy and thriving, to provide food and jobs for millions of people and to stimulate a blue economy able to support vibrant coastal and island communities, we need to take care of them and manage them in a more sustainable way, in Europe and worldwide.

Throughout 2018, DG MARE's work reflected its strong commitment to the sustainability, security and prosperity of our oceans.

Among the key actions undertaken by DG MARE in 2018 to help keeping our oceans healthy, clean and safe whilst creating the best conditions for maritime activities, the following should be highlighted:

In 2018, the Commission continued to focus its **fisheries conservation policy** on the objective of achieving Maximum Sustainable Yield (MSY) for fish stocks by 2020 at the latest and reaching sustainable fleet performance. The Commission's "Policy Statement" for 2019 shows that further progress was made in 2018 in reaching the CFP objectives, with a growing number of Total Allowable Catches (TACs) in line with MSY. The Council adopted 59 TACs in line with MSY (34 in Western waters, 18 in the North Sea and 7 in the Baltic Sea), compared to 53 in 2017. In the North-East Atlantic and adjacent seas fishing mortality is decreasing steadily and overall stock exploitation levels are, on average, sustainable. In the Mediterranean and the Black Sea, the majority of the assessed fish stocks are still overfished. In the Mediterranean, out of 47 stocks, only around 13% (6 stocks) are not overfished. In the Black Sea, 5 out of the 6 assessed stocks remain overfished, with the exception of sprat. Also, the full implementation of the landing obligation, which had to be achieved by 1 January 2019, continued to be a key challenge throughout the year, and led to intensive discussions in all regional groups.

A clear correlation between fishing at MSY levels and economic returns and profitability for the fleets was again confirmed in the **2018 Annual Economic Fleet Report**. Higher and stable yields contribute to jobs, growth and investments in the EU.

Following the adoption of the Baltic Multiannual Management Plan in 2016, 2018 was the first year of applying the North Sea plan, which entered into force in August. The adoption of the Commission proposal for a **Western Waters Multiannual Management Plan** in March 2018 was followed by intense inter-institutional negotiations and a political agreement between the co-legislators in November.

As regards the Multiannual Management Plans for the Mediterranean, the Commission continued inter-institutional negotiations on the Management Plan for the small pelagics in the Adriatic and adopted in March 2018 a proposal for a **Management Plan for demersals in the Western Mediterranean**. While there was no breakthrough on the former, negotiations on the latter have continued throughout 2018 and led to a political agreement in early 2019.

Preparations for **Brexit** and the future relationship with the United Kingdom were among the core tasks of DG MARE in 2018. The EU's fisheries management will

clearly be impacted by the departure of the United Kingdom from the EU. The Commission prepared for an agreement on the orderly withdrawal of the United Kingdom from the EU but also for the possibility that no withdrawal agreement is reached. In either case, 2019 will be the year where the EU and the United Kingdom start consultations and negotiations on future cooperation, including the development of a bilateral fisheries agreement, in which the future long-term relationship between the two parties needs to be established.

On 13 December 2018, the European Council reiterated its call for work on preparedness at all levels for the consequences of the United Kingdom's withdrawal to be intensified, taking into account all possible outcomes. The Commission presented a package of measures on 19 December 2018 in response to that call. On 17 and 18 December 2018 the Agriculture and Fisheries Council fixed the fisheries opportunities for 2019. Based on this and taking into account the significant adverse impacts on the fisheries sector of a withdrawal of the United Kingdom without an agreement, the Commission proposed two Brexit contingency proposals for fisheries:

- a measure to amend the European Maritime and Fisheries Fund⁵, and
- a measure on the sustainable management of external fishing fleets⁶.

In addition, the Commission proposed to the Council to approve the application for accession of the United Kingdom to the Convention on Future Multilateral Cooperation in the North-East Atlantic Fisheries (NEAFC Convention)⁷.



In implementing its Agenda for better international ocean governance, the EU continued to be in the lead in advocating and rolling out sustainable fisheries internationally. Successful negotiations between the EU and China resulted in the **EU-China Ocean Partnership**, signed on 16 July 2018 at the EU-China Summit. It was the first Ocean Partnership of this kind, setting out a comprehensive

framework for dialogue and cooperation on ocean issues of common interest. The Commission also started the negotiations for an Ocean Partnership with Canada and engaged actively with other important key players on oceans, such as the US and Japan.

After the great success of the EU hosted Our Ocean Conference in Malta in 2017, the Our Ocean Conference (October 2018 in Bali) managed to keep the momentum and to generate new commitments from governments, companies and non-governmental organisations to conserve and sustainably use the oceans, seas and marine resources. In Bali, the EU announced close to €300 million of EU-funded initiatives to tackle global oceans challenges. This comes on top of the €550 million committed by the EU at the Our Ocean Conference 2017.

⁵ COM(2019)48 of 23/01/2019

⁶ COM(2019)49 of 23/01/2019

⁷ COM(2019)140 of 12/03/2019

DG MARE also successfully contributed to the political agreement reached between the co-legislators on the new **Single Use Plastics** Directive in December 2018, taking the lead in particular on the part related to lost fishing gear. The new Directive will include ambitious measures that will tackle marine litter at its source, by targeting plastic products most often found on beaches, as well as and abandoned fishing gear.



The new Agreement to prevent unregulated fishing in the High Seas of the **Central Arctic Ocean**, negotiated by DG MARE and signed in October 2018, was a historic landmark. It will prevent unregulated commercial fishing in the high seas portion of the central Arctic Ocean, an area that is roughly 2.8 million square kilometres in size, about the size of the Mediterranean Sea, thus

protecting the fragile Arctic ecosystem for future generations whilst promoting a sustainable development of the region.

As regards our work towards more sustainable fisheries worldwide, in 2018, 88% of all conservation measures adopted by **Regional Fisheries Management Organisations** to which the EU is a member were in line with scientific advice. A particular success was reached in ICCAT (the International Commission for the conservation of Atlantic Tunas) where the important **management plan for Bluefin tuna** was adopted in November 2018. The EU proposal, which facilitated the important agreement, took account of the satisfactory status of the Bluefin tuna stock and followed the scientific advice to move from the current recovery plan to a management plan, without weakening control measures.

The EU's **Sustainable Fisheries Partnership Agreements** also contribute to the elimination of illegal, unreported and unregulated fishing in the waters of the partner countries. At the end of 2018, 9 Protocols to such agreements were in force, and during 2018, negotiations took place with 8 countries and were successfully completed for the renewal of the Protocol with Ivory Coast, Morocco, Cape Verde and Guinea-Bissau.

The **fight against illegal, unreported and unregulated (IUU) fishing** also remained a key priority in 2018. We enhanced international and regional cooperation to ensure that all actors abide to their international law of the sea obligations. Close cooperation and dialogue with the EU allowed Thailand to address successfully the shortcomings in its fisheries legal and administrative systems; so that in early 2019 the Commission could lift its so-called "yellow card" from Thailand for its actions against IUU fishing.

In 2018, the Commission adopted a **proposal to revise the EU's fisheries control system**, which aimed to simplify it, to make it more effective and efficient and to ensure full compliance with the reformed Common Fisheries Policy and equitable treatment of operators. The main objectives are to strengthen provisions on enforcement, to ensure better quality and sharing of fisheries data and information, to reduce administrative burden and to enhance synergies with other policies.

To prepare for the post-2020 period, the Commission proposed in May 2018 a new €6,14 billion **European Maritime and Fisheries Fund (EMFF)** to strengthen support for the Common Fisheries Policy, the EU's maritime policy and international commitments in the field of ocean governance, especially in the context of the United Nations 2030 Agenda for Sustainable Development. The proposed Fund promotes simplification and a stronger focus on results. It will enable investment in new maritime markets, technologies and services such as ocean energy and marine biotechnology.

In line with the Commission's "stronger and renewed strategic partnership with the EU's Outermost Regions" launched in 2017, DG MARE revised the **State aid guidelines for Fisheries**, which were adopted in October 2018, to foster the development of a sustainable Blue Economy in the EU's peripheral regions.

Stimulating a **sustainable blue economy** will help coastal communities and businesses across the Single Market unlock the potential that the oceans represent for Europe's coastal regions and for the European economy as a whole, especially by supporting new business ventures and investing in innovation.

In June 2018, the Commission published its first Annual report on the Blue Economy. The report shows that this fast-growing economic sector, which represents all economic activities related to our oceans, seas or coastal areas - from fisheries, shipbuilding and tourism to ocean energy and biotechnology - generates more than €560 billion a year and employs more than 3.5 million people. In several EU member states the blue economy, which is set to double in size globally by 2030, has grown faster than the national economy in the last decade.

Through the **Blue Invest 2018** match-making event in May, DG MARE managed to bring together more than 400 innovators, investors, the financial community and public authorities to boost the economic potential of the ocean while protecting its marine resources. The first European event of this kind contributed substantially to increase the engagement of the financial community with the blue economy, and to stimulate investment interest in marine and maritime sectors.

In June 2018, the General Affairs Council adopted conclusions revising the **EU Maritime Security Strategy** (EUMSS) Action Plan of 2014 to ensure that the policy remains fit for purpose. The revised Plan focuses on the actions in five priority areas dedicated to crosscutting issues, and in new regional responses to major maritime hotspots in European sea basins (like the Mediterranean and the Black Sea) and internationally (the Gulf of Guinea, Horn of Africa-Red Sea and South-East Asia).

b) Key Performance Indicators (KPIs)

The five KPIs include four operational indicators (KPI 1 to KPI 4) and one management indicator (KPI 5). All indicators stem from the DG MARE Strategic Plan for 2016-2020. They are used to measure progress towards the achievement of our operational and organisational objectives respectively.

KPI 1. Specific measurement of Growth for Fisheries:

Economic growth potential and environmental sustainability measured by the proportion (Atlantic) or number of stocks (Mediterranean and Black Sea) that are fished at Maximum Sustainable Yield (MSY) levels

This indicator measures the potential for yield (fish catches) derived from the sustainable exploitation of marine biological resources. Fishing at Maximum Sustainable Yield means fishing at a rate such that the average long-term catches are the highest that the stock can provide over the long-term. This ensures higher and more stable revenue for fishermen. The fishing mortality rate is the annual catch divided by the annual average biomass of exploitable fish in the sea.

Source of data:

- For the North-East Atlantic and adjacent waters: report from the Scientific, Technical and Economic Committee for Fisheries (STECF) "Monitoring the performance of the Common Fisheries Policy", STECF-17-04, Table 3.2.
- For the Mediterranean and Black Seas, within the Working Groups of the STECF and the GFCM-SAC (General Fisheries Commission for the Mediterranean - Scientific Advisory Committee on Fisheries):
 - STECF 17-14: Stock assessments in the Black Sea 2017 (EWG 17-11, Ispra, September 2017);
 - STECF 17-15: Stock assessments in the Mediterranean Sea 2017 - Part I (EWG 17-09, Barza, September 2017);
 - STECF 18-XX: Stock assessments in the Mediterranean Sea 2017 - Part II (EWG 17-15, Barza, September 2017) – Report to be endorsed at the STECF spring plenary by March 2018;
 - GFCM Working groups on stock assessment of demersal species and small-pelagic species (Rome, November 2017) – Reports to be endorsed at the 20th session of the SAC (Marrakech, June 2018).

Baseline 2013⁸

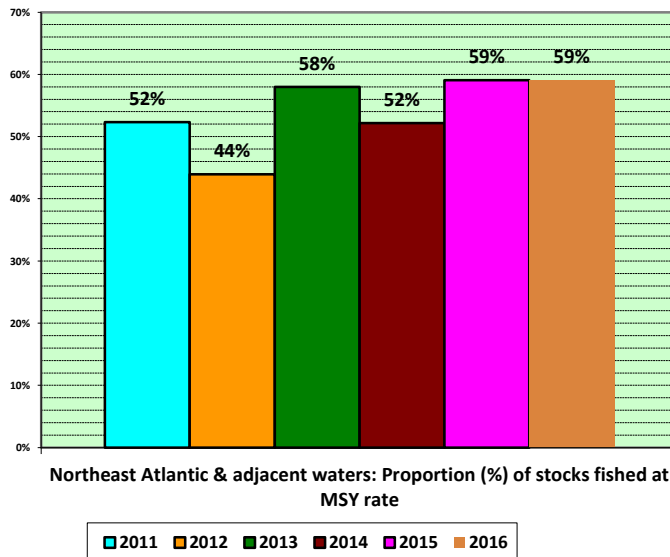
(updated with data available at end of 2018)

Interim milestone

Target: by 2020 at the latest

⁸ Methodology used to assess the situation of fish stocks, and its outcomes: see SWD(2016) 199 accompanying the Communication from the Commission to the European Parliament and the Council – Consultation on the fishing opportunities for 2017 under the Common Fisheries Policy (COM(2016) 396).

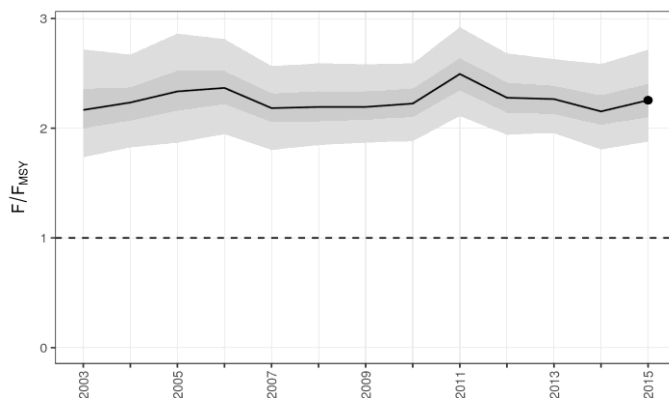
Stock status in the North-East Atlantic and adjacent waters



In 2015 and in 2016 (latest available data), 59% of the exploited fish stocks (with F_{MSY}^9 advice) in the **North-East Atlantic and adjacent waters** were fished at Maximum Sustainable Yield.

The state of stocks managed or fished together with **Norway or in Coastal States** arrangements was similar to the state of stocks managed exclusively by the EU.

F/ F_{MSY} trend in the Mediterranean and Black Seas
(source: Policy Statement for 2019 (SWD(2018)329, figure 8)



Average fishing mortality compared to MSY values (where=1 for $F=F_{MSY}$), means that the stock is fished at F_{MSY} ($F=F_{MSY}$); where >1 means that the stock is classified as overfished in relation to the F_{MSY} objective of the Common Fisheries Policy), for stocks in the **Mediterranean and Black Seas**.

No interim milestones have been set in EU legislation.

Exploitation at MSY rate for fish stocks by 2020.

Target set by Article 2 of Regulation (EU) No 1380/2013 of the European Parliament and of the Council of 11 December 2013 on the Common Fisheries Policy.

⁹ F_{MSY} : the rate of fishing that produces the maximum sustainable yield (MSY).

Latest known results (2018)¹⁰:

Source: Communication from the Commission to the European Parliament and the Council on the State of Play of the Common Fisheries Policy and Consultation on the Fishing Opportunities for 2019 – COM(2018)452.

According to the Scientific, Technical and Economic Committee for Fisheries (STECF)¹¹, in the **ICES area** (North-East Atlantic, Baltic Sea, North Sea, Irish Sea, Celtic Sea and adjacent waters), fishing mortality is decreasing steadily and the indicator value in 2016 was close to 1 (compared to 1,5 in 2003), which means that overall stock exploitation levels are, on average, close to FMSY.

In December 2018, the Council adopted 59 Total Allowable Catches (TACs) in line with Maximum Sustainable Yield (34 in Western waters, 18 in the North Sea and 7 in the Baltic Sea), compared to 53 in 2017. It is important to note that the methodology for counting TACs in line with Maximum Sustainable Yield has changed, following a decision by DG MARE Management of October 2018. The 2018 and 2019 figures are therefore not fully comparable, in real terms there were 3 additional TACs set in line with Maximum Sustainable Yield.

In terms of volume:

- In the Baltic Sea, TACs were set based on the Baltic multi-annual plan. 95% of the expected catches come from TACs set in line with FMSY and 4% from TACs with precautionary advice.
- In the North Sea, Skagerrak and Kattegat, for the FMSY assessed stocks managed by the EU alone, 99,7% of the expected landings come from TACs set in line with FMSY.
- In the North Western and South Western Waters, for the FMSY assessed stocks managed by the EU alone, this figure is 94% and 90% respectively.

In the Mediterranean and Black Sea, the trends in F/F_{MSY} show a median level that varies slightly, staying at around 2.3 from 2003 to 2015, with no decreasing trend.

In the **Mediterranean Sea**, out of 47 stocks, only around 13% (6 stocks) are not overfished: red mullet in GSA 10 (South Tyrrhenian Sea), GSA 17-18 (Adriatic Sea) and GSA 22 (Aegean Sea); European anchovy in GSA 22 (Aegean Sea); deep-water rose shrimp in GSA 9 (Ligurian and North Tyrrhenian Sea); and common cuttlefish in GSA 17 (Northern Adriatic Sea).

In the **Black Sea**, 5 out of the 6 assessed stocks remain overfished, with the exception of sprat. It is clear that further efforts are required to achieve the 2020 FMSY objective in these sea basins.

To reverse the situation in the Mediterranean and the Black Sea, the Commission has taken significant steps in 2018 (please refer to section 1.1 Fisheries conservation).

For the first time, the Council also agreed to apply for 2018 a three-month closure of **eel fisheries** to protect spawners. Furthermore, the Commission and

¹⁰ See also the EMFF Programme statement for the draft budget 2020.

¹¹ STECF-Adhoc-18-01.

Member States made a political commitment to reinforce the implementation of the Eel regulation and evaluate its effectiveness¹².

For **deep-sea stocks**, fishing opportunities were set in November 2016 for 2017 and 2018 and make up less than 1% of all landings in the EU. Deep-sea stocks are data or assessment limited, with the exception of Roundnose grenadier in North Western Waters, the TAC of which was set at FMSY.

For **stocks subject to Coastal States consultations** only 1 out of 10 TACs with FMSY advice is in line with FMSY, namely Atlanto-scandian herring representing 4% of the landings of all Coastal States TACs in terms of volume. Achieving FMSY by 2020 for all Coastal States stocks remains therefore a challenge.

¹² Council Regulation (EC) 1100/2007 of 18 September 2007 (OJ L 248, 22.9.2007, p. 17). The roadmap of the evaluation was published on April 2018: http://ec.europa.eu/info/law/better-regulation/initiatives/ares-2018-1986447_en

KPI 2. Specific measurement of Jobs for Fisheries:

Employment created and maintained with support from the European Maritime and Fisheries Fund (EMFF).

This indicator measures the direct effects of the EMFF on employment. It does not measure changes in employment due to external factors.

Source of data:

- Member States' EMFF Annual Implementation Reports (AIRs)
- Infosys reports.

Baseline 2012-2013	Interim milestone 2017¹³	Target 2023¹⁴	Latest known results (2017)¹⁵ (*)
<p>Fisheries: 110.096 in Full Time Equivalent (FTE).</p> <p>Source: 2013, AER fishing fleet.</p>	<ul style="list-style-type: none"> • 0 FTE created. • 35.910 FTE maintained. 	<ul style="list-style-type: none"> • 4.083 jobs created in FTE (jobs created represent 4% of the baseline employment). • 35.910 FTE jobs maintained. 	<ul style="list-style-type: none"> • 61 FTE created. • 1.826 FTE maintained.
<p>Aquaculture: 34.400 FTE.</p> <p>Source: 2012, AER aquaculture (freshwater aquaculture is not included).</p>	<ul style="list-style-type: none"> • 310 FTE created. • 22.462 FTE maintained. 	<ul style="list-style-type: none"> • 1.546 jobs created in FTE (jobs created represent 4% of the baseline employment). • 22.462 FTE jobs maintained. 	<ul style="list-style-type: none"> • 129 FTE created • 103 FTE maintained.
<p>Coastal communities: 140.000 FTE.</p> <p>Source: no data requested in context indicators. 100% of jobs in fisheries are in coastal areas. 90% of jobs in aquaculture are in coastal Member States and at least 95% of jobs are in coastal areas.</p>	<ul style="list-style-type: none"> • 890 FTE created. • 6.000 FTE maintained. 	<ul style="list-style-type: none"> • 4.624 jobs created in FTE due to Community-led Local Development. • 6.000 FTE jobs maintained. 	<ul style="list-style-type: none"> • 139 FTE created • 355 FTE maintained

¹³ Data source: Member States' Annual Implementation Reports.

¹⁴ Article 65(2) of the Common Provisions Regulation (EU) No 1303/2013: Expenditure shall be eligible for a contribution from the ESI Funds if it has been incurred by a beneficiary and paid between the date of submission of the programme to the Commission or from 1 January 2014, whichever is earlier, and 31 December 2023.

¹⁵ See also the EMFF Programme statement for the draft budget 2020.

(*) Latest known results:

Source: the Annual Implementation Reports for 2017 (AIR 2017) and Infosys reports for 2017 (Infosys 2017) submitted to the Commission in May and April 2018 respectively. They refer to cumulative EMFF implementation data until the end of 2017.

The indicator "Jobs for Fisheries" measures the direct effects of the EMFF on employment, i.e. jobs created and maintained with EMFF support. It does not measure changes in employment due to external factors.

Data shows a large gap between the figures for 2017 and the target for 2023. The figures reported in the 2017 Annual Implementation Reports and Infosys 2017 only refer to employment figures based on fully completed operations. Operations still in progress were not included in the reporting. The basis for reporting only on completed operations is the technical guidance issued for Member States regarding Infosys data. Previously, some Member States reported all projects regardless of the implementation stage of operations. This guidance was introduced to make data comparable across Member States. The number of completed operations (and consequently the employment numbers included in the result indicator) could be expected to increase in 2018 reports when more projects from 2017 are completed. The total number of projects in 2018 increased by nearly 100% (to 11,309) compared to the number of projects in 2016.

KPI 3. Specific measurement for Stronger Global Actor in fisheries:

Improvement in global fisheries governance, measured by the sustainable management of emblematic tuna and tuna-like species as per relevant scientific advice.

This indicator measures to what extent some highly significant tuna and tuna-like species (Bigeye tuna, Bluefin tuna, Skipjack tuna, Yellowfin tuna, Pacific Bluefin tuna and swordfish) are fished at sustainable levels (ratio of $F_{curr}/F_{MSY} \leq 1$ ¹⁶) in relevant geographical areas (Atlantic Ocean, Indian Ocean and Pacific Ocean). This advice is a direct result of EU action in the relevant Regional Fisheries Management Organisation¹⁷ for a number of years.

Source of data: Annual stock situation in scientific reports of RFMOs concerned.

Baseline 2013	Interim milestone 2017	Target 2020	Latest known results (2018)
14 out of 19 selected stocks are at sustainable levels.	15 stocks	19 stocks Target set by DG MARE.	<p>16 out of the world's 18 (*) emblematic tuna stocks were at sustainable levels according to the relevant scientific advice. This means we have reached our intermediate target of bringing 15 stocks within safe limits by end 2017.</p> <p>Compared to 2017 the situation at the end of 2018 remained unchanged for the two stocks that are overfished:</p> <ul style="list-style-type: none"> – Bigeye tuna in the Atlantic Ocean – Yellowfin tuna in the Indian Ocean. <p>(*) The DG MARE Strategic Plan 2016-2020 refers to a total of 19 stocks. DG MARE has decided to remove swordfish which has been treated as one stock, but in reality should be looked at differently according to the oceans concerned.</p>

¹⁶ A stock is considered subject to overfishing if the ratio of F_{curr}/F_{MSY} is greater than 1. F_{curr} : current fishing rate/mortality.

F_{MSY} : the rate of fishing that produces the maximum sustainable yield (MSY).

¹⁷ RFMOs which manage highly-migratory species, mainly tuna: <http://iccat.int/en/>, <http://iotc.org/>, <https://www.wcpfc.int/>, <http://iattc.org/>, <http://www.ccsbt.org/site/>

KPI 4. Result indicator related to the blue economy:

EU investment relating to the blue economy expressed as percentage of total European Structural and Investment Funds (ESIF).

An analysis of ESIF operational programmes indicated that of the 120 categories of spending, only 3 (2 on ports and one that included ocean energy) could be directly linked to the blue economy, apart from the funding that the EMFF will bring to fisheries and aquaculture and other maritime issues. The same goes for Smart Specialisation Strategies. Nevertheless, maritime projects could fit easily into many of the other categories – support to SMEs, research infrastructure, wind energy, making use of cultural or natural heritage to enhance attractiveness for tourism etc. Initial estimates suggest about 3% of total structural and investment funding could be spent on maritime issues. DG MARE has been raising awareness of these opportunities through events in all the sea basins and now the work has been taken up by regional and national administrations in the countries concerned.

Source of data: Reports sent by Management Authorities and accessed through Infoview.

Baseline 2015	Interim milestone 2017	Target 2023	Latest known results (2018) (*)
<p>3% of total</p> <p>Source: estimate based on analysis of the Member States' ESIF operational programmes.</p>	<p>4% of total</p>	<p>5% of total</p> <p>Target set by DG MARE.</p>	<p>The latest information suggests that spending in these areas is lower than the 2017 milestone of 4% (cf. Annual Activity Report 2016).</p> <p>The mid-term review of the DG MARE Management Plans 2017 and 2018 revealed that at present it is not possible to estimate the proportion with any reliability because the Managing Authorities do not provide this information to the Commission. This would require a sampling of Managing Authorities which is not planned for the near future.</p>

(*) Data reliability is low. 46 indicators are used to monitor the European Regional Development Fund but none is exclusively maritime (linked to the blue economy). Estimates were based on the assumption that a certain proportion of categories for intervention (e.g. research infrastructure) would be maritime. It could be expected that the percentage is higher in the Mediterranean because the Member States' operational programmes allocate a higher proportion to tourism and a large part of this will be coastal.

KPI 5. Management indicator: Estimated residual total error rate (RTER)¹⁸.

Source of data: 2018 Annual Activity Report RTER as confirmed by DG MARE.

Description	Indicator	Target	Latest known results
Legality and regularity of the underlying transactions in the DG.	Error rate detected on the legality and regularity of the underlying transactions for budget implementation.	Error rate below 2% for budget implementation.	For the EMFF, the residual total error rate (RTER) without advances to financial instruments of the amount chargeable to the Funds for the accounting year 2016-2017 is 0,46%.

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

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

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

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

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

¹⁸ The RTER is "the best estimation of the value of the total expenditure which was not in conformity with the applicable regulatory and contractual provisions after corrective measures have been implemented; expressed as a percentage of the total expenditure".

d) Provision of information to the Commissioner

In the context of the regular meetings during the year between the DG and the Commissioner on management matters, also the main elements of this report and assurance declaration, including the reservation envisaged, have been brought to the attention of Commissioner Vella, responsible for Environment, Maritime Affairs and Fisheries.

1. KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF GENERAL AND SPECIFIC OBJECTIVES OF THE DG¹⁹

1.1 Fisheries conservation

The reformed Common Fisheries Policy aims to support the fisheries sector in the EU by **making fishing sustainable** and thereby improving the economic performance of the EU fishing fleet. Under the fisheries policy, the fishing pressure on stocks should be aligned as soon as possible, and by 2020 at the latest, to the objective of restoring and maintaining stocks to levels that can produce Maximum Sustainable Yield (MSY)²⁰. Achieving this objective will also contribute to achieving good environmental status in European seas by 2020²¹ and to minimising the negative impact of fishing activities on marine ecosystems. In 2018, the Commission continued to focus its fisheries conservation policy on the objective of achieving Maximum Sustainable Yield for fish stocks by 2020 at the latest and reaching sustainable fleet performance. The progress towards achieving these objectives was described in the Commission's "Policy Statement" for 2019²².

Also, the full implementation of the landing obligation²³, which had to be achieved by 2019, continued to be a key challenge throughout the year. Intensive discussions took place during 2018 in all regional groups in order to identify potential choke situations and the best available tools to deal with them: increased swaps, inter-area and inter-species flexibility etc.

Multi-annual plans²⁴ including conservation measures to restore fish stocks at a level capable of producing Maximum Sustainable Yield remained a key tool to make fisheries more sustainable, both from an environmental and from a socio-economic point of view. Following the adoption of the Baltic multi-annual plan in 2016, 2018 was the first year of applying the North Sea plan, which entered into force in August. In addition, the adoption of the Commission proposal for a Western Waters multi-annual plan in March 2018 was followed by intense inter-institutional negotiations and a political agreement between the co-legislators in November. The rules for setting the Total Allowable Catches in the multi-annual plans for the Baltic, North Sea and Western Waters thus offer important flexibility (under specific conditions) with Maximum Sustainable Yield ranges as well as in terms of distinction between target and by-catch stocks.

In 2018, negotiations also intensified on the Commission proposal on technical

¹⁹ An Executive Agency uses as heading: "Implementation of the Agency's Annual Work programme - Highlights of the year".

²⁰ 'Maximum Sustainable Yield' means the highest theoretical equilibrium yield that can be continuously taken on average from a stock under existing average environmental conditions without significantly affecting the reproduction process (Article 4 of Regulation No 1380/2013 on the Common Fisheries Policy).

²¹ Directive 2008/56/EC.

²² Communication from the Commission to the European Parliament and the Council on the State of Play of the Common Fisheries Policy and Consultation on the Fishing Opportunities for 2019 - COM(2018)452 and SWD(2018)329 of 11/06/2018.

²³ The landing obligation requires all catches of regulated commercial species on-board to be landed and counted against quota (article 15(1) of Regulation (EU) No 1380/2013).

²⁴ Multiannual plans are adopted as a priority, based on scientific, technical and economic advice, and contain conservation measures to restore and maintain fish stocks above levels capable of producing maximum sustainable yield (article 9(1) of Regulation (EU) No 1380/2013).

measures. Its main objective was to streamline and simplify the technical measures guiding how, where and when fishermen may fish, as well as determining the type of gear, catch composition and ways to reduce unwanted catches and eliminate discards, notably through better selectivity, and better protection for juveniles and spawning grounds. A political agreement was reached in early 2019.

Overall, further progress was made in 2018 in reaching the objectives of the Common Fisheries Policy, with a growing number of Total Allowable Catches in line with Maximum Sustainable Yield. However, more efforts are necessary, as by 2020 all stocks with Maximum Sustainable Yield advice will have to be managed in line with Maximum Sustainable Yield.

In the **North-East Atlantic, North Sea and Baltic Sea**²⁵, the number of stocks with scientific advice remained stable at 66 (taking into account the change in the assessment methodology in 2018).

The Council adopted 59 Total Allowable Catches in line with Maximum Sustainable Yield (34 in Western waters, 18 in the North Sea and 7 in the Baltic Sea), compared to 53 in 2017²⁶. This progress was, however, counter-balanced by the results of the EU-Norway negotiations where less Total Allowable Catches were set in line with Maximum Sustainable Yield than for 2018.

In the **Mediterranean and the Black Sea**, the majority of the assessed fish stocks are still overfished. The main causes of overfishing in these two sea basins are:

- the large number of small-scale vessels (which makes control, enforcement, monitoring and reporting of catches/landings difficult);
- the multispecies nature of the fishery;
- the many landing sites;
- the shared stocks with non-Member States, and
- the low number of stocks assessed yearly.

For the Black Sea 2018 was an exceptional year. It was the first year of the implementation of the GFCM multiannual management plan for turbot, including joint control and inspection measures implemented by Black Sea riparian countries. In line with a Council decision from December, a roll-over of the Total Allowable Catch level and of the temporarily allocated quotas will be implemented for the following year.

To reverse the situation in the Mediterranean and Black Sea, the Commission has taken significant steps in 2018:

- At the EU level, we ensured that Member States' **management plans** adopted under the Mediterranean Regulation²⁷ are further aligned with the

²⁵ The ICES area includes the waters of the Baltic Sea, North Sea, Irish Sea, Celtic Sea and adjacent waters.

²⁶ It should be noted that since the methodology for counting TACs in line with MSY has changed compared to last year, the 2018 and 2019 figures are therefore not fully comparable.

²⁷ Council Regulation (EC) No 1967/2006 of 21 December 2006.

Common Fisheries Policy. New control action plans were established with Croatia, Cyprus, Greece, Italy and Malta. A Specific Control and Inspection Programme was adopted for the Eastern Atlantic and the Mediterranean Sea²⁸. The Baltic Sea, North Sea, Western Waters of the North East Atlantic, East Atlantic, the Mediterranean and the Black Sea are now under a single Specific Control and Inspection Programme²⁹.

- The Commission continued inter-institutional negotiations on the Management Plan for the small pelagics in the Adriatic and adopted in March 2018 a proposal for a Management Plan for demersals in the Western Mediterranean. While Council has not made any substantial progress on the former, negotiations on the latter have continued throughout 2018 and led to a political agreement in early 2019.
- At the initiative of the EU, the General Fisheries Commission for the Mediterranean signed a Regional Plan of Action to fight illegal, unreported and unregulated fishing in the Mediterranean and the Black Sea, and a Regional plan of Action on Small-Scale Fisheries in September 2018. Although this plan is non-binding, it is a historic step. It is the first instrument to be adopted by any Regional Fisheries Management Organization that goes beyond the management of fisheries to address also social issues, the role of women, the participation of small-scale actors in management and decision-making processes, and the incorporation of traditional ecological knowledge.
- At the international level, we continued applying the fisheries governance³⁰ put in place in the Mediterranean with the Malta 2017 MedFish4Ever Declaration³¹ and in the Black Sea with the 2016 Bucharest Declaration³². As a follow-up, the Sofia Declaration was adopted by the Black Sea riparian States in May 2018.
- DG MARE encouraged a closer collaboration with Member States and stakeholders through the MED and Black Sea Advisory Councils for a better implementation of the Mediterranean Regulation and the Common Fisheries Policy.

The 2018 Annual Economic Fleet Report as well as our internal analysis in support of the Commission proposals on the 2019 fishing opportunities indicated a clear correlation between fishing at Maximum Sustainable Yield levels and economic returns and profitability for the fleets. Higher and stable yields contribute to jobs, growth and investments in the EU.

Finally, in line with the Commission's "stronger and renewed strategic partnership with the EU's Outermost Regions" launched in 2017, we have revised the State aid guidelines for Fisheries, which were adopted in October 2018 and continue to foster the development of a sustainable Blue Economy in the EU's peripheral regions.

²⁸ C(2017)8687 of 05/01/2018

²⁹ C(2018)8461 of 13/12/2018

³⁰ Article 3 of Regulation No 1380/2013 on the Common Fisheries Policy.

³¹ <https://ec.europa.eu/fisheries/sites/fisheries/files/2017-03-30-declaration-malta.pdf>

³² <http://www.fao.org/gfcm/meetings/blackseaconference2016/en/>

1.2 Balance between fishing capacity and fishing opportunities

In accordance with Article 22(4) of Regulation No 1380/2013 on the Common Fisheries Policy, the Commission must report annually to the European Parliament and to the Council on the balance between fishing capacity and fishing opportunities. The 2018 Report³³ covers the year 2016 and assesses the annual capacity of all the EU fleet segments based on the information included in the Member States' reports submitted to the Commission in 2017. The capacity of the EU fishing fleet continued to decrease. In December 2017, the EU fleet register contained 82,912 vessels with an overall capacity of 1.487.983 in gross tonnage and 5.763.933 in kilowatts. This is a reduction of 1,45% since 2016 in terms of number of vessels, 6,54% in kilowatts and 9,59% in gross tonnage. However, a number of fleet segments are still not in balance with their fishing opportunities.

The Scientific, Technical and Economic Committee for Fisheries assessed the capacity of the EU fleet segments in 2016 based on the national fleet reports of 2017. All 23 coastal Member States submitted their reports, 13 of which include an action plan with fleet adjustment targets to eliminate structural overcapacity of their fleet³⁴. According to the Regulation on the European Maritime and Fisheries Fund, not submitting the annual fleet report and/or failing to implement the action plan could result in a proportionate suspension or interruption of the support from this fund to the Member States for the fleet segments concerned. Economic performance of the EU fishing fleet

The **profitability of the EU fishing fleet** is the main indicator to measure its economic performance. The 2018 Annual Economic Fleet Report³⁵ showed record-high net profits in 2016 (latest available data). With a total net profit of €1,3 billion in 2016, 16,9% of the revenue was retained as profit, up from 11% in 2015. As a result, not only the interim milestone for 2017 has already been achieved (i.e. 9%) but also the target for 2023 (10%). Continued improvements into 2016 were mainly a result of higher average fish prices (more value for less quantity landed) and continued low fuel prices, while the improved status of some important stocks and technological advances also contributed.

The amount of gross value added and gross profit (all excluding subsidies) generated by the EU fishing fleet (excluding Greece) in 2015 was €3.9 billion and €1.6 billion, respectively. Gross value added as a proportion of revenue was estimated at 54%, up from 52% in 2014 and gross profit margin at 23%, up from 22% in 2014. With a total net profit of €798 million, 11% of the revenue generated by the EU fleet in 2015 was retained as net profit.

³³ "Policy statement for 2019" – COM(2018)452 and SWD(2018)329.

³⁴ Three (Bulgaria, Croatia and Romania) Member States made amendments to the previous year's action plan and ten (France, Germany, Greece, Italy, Malta, Poland, Portugal, Slovenia, Spain and the United Kingdom) provided new action plans.

³⁵ STECF 18-07

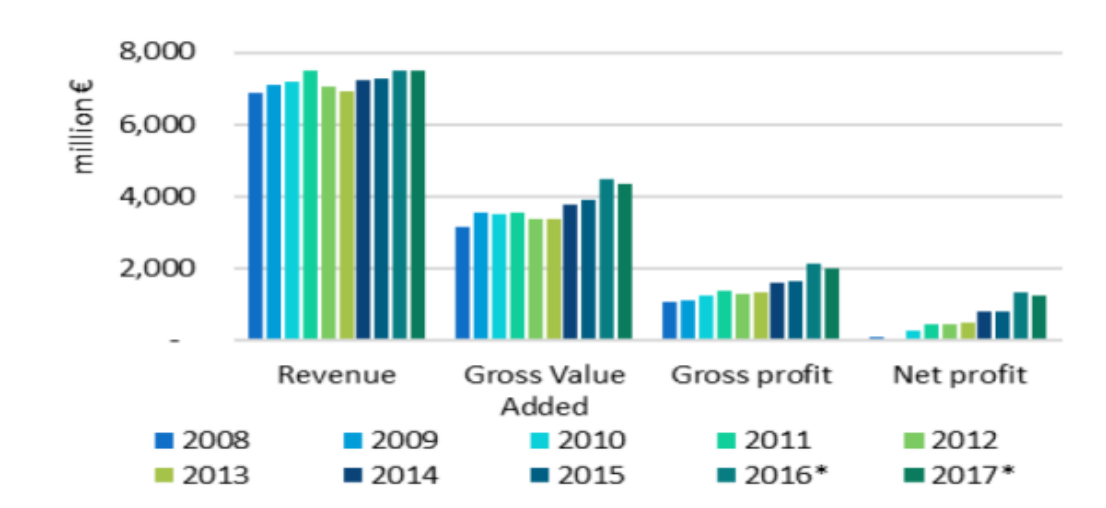


Figure: Increase in fleet profits since 2008³⁶

The report also indicates that economic performance stagnates where fleets depend on stocks that are still overfished or overexploited. Fleets that fish sustainably – ever growing in numbers – see clear improvements in their profitability. The sustainable use of marine resources is the basis for economic growth of the fleet. Lower fuel prices and higher average fish prices have also contributed to this strong economic performance.

While overall the EU fishing fleet was profitable, 5 out of the 22 Member States' fleets (excluding Greece) generated net losses in 2016. Results also varied by scale of operation and fishing region. Most of the fleet segments with a poor economic performance belong to the small scale fishing fleet and operate in the Mediterranean and Black Sea.

1.3 Ocean Governance

The EU as a strong Global Actor strives for sustainable fisheries worldwide and improved international governance by 2020. DG MARE, representing the EU in international fora, is committed to deliver on the actions set out in the Joint Communication on International Ocean Governance³⁷. It thus contributes to the implementation of the 2030 Agenda for Sustainable Development, including Sustainable Development Goal (SDG) 14 that aims to "conserve and sustainably use the oceans, seas and marine resources." Globally, we largely achieved our objectives and succeeded in positioning the EU as a strong advocate of healthy and productive oceans worldwide and thus as a key player on the international scene.

A priority area of the Ocean Governance Communication is the improvement of the international ocean governance framework, including through coordination and cooperation. A key action identified for that purpose is the establishment of "**Ocean Partnerships**" with key ocean players as a way to jointly move global ocean governance forward.

The Council Conclusions on international ocean governance³⁸ encourage the Commission to propose initiatives, on a case-by-case basis, aimed at developing

³⁶ SWD(2018)329

³⁷ JOIN(2016)49

³⁸ 8029/17. <http://data.consilium.europa.eu/doc/document/ST-8029-2017-INIT/en/pdf>

Ocean partnerships with key international partners, as a means to achieve better global governance and policy coherence vis-a-vis the oceans.

Successful negotiations resulted in the **EU-China Ocean Partnership**, signed on 16 July 2018 at the EU-China Summit. It was the first Ocean Partnership of this kind.

The "Blue Partnership for the Oceans: towards better ocean governance, sustainable fisheries and a thriving maritime economy" was signed at the EU-China Summit on 16 July 2018 in Beijing. The Ocean Partnership with China is the first of its kind and sets out a comprehensive and holistic framework for cooperation in the domain of the oceans. It addresses the key pillars of the EU international ocean governance agenda: improving the ocean governance framework, including sustainable fisheries, developing the conditions for a sustainable blue economy and marine science, research and data. It marks the beginning of a new phase in our bilateral ocean relationship with China and it will allow for qualitative steps forward on oceans with China.

The EU also started the negotiations for an Ocean Partnership with Canada and engaged actively with other key players on oceans through High Level Dialogues, such as with the US and Japan.

Throughout 2018, DG MARE worked closely with DG ENV on the new **Single Use Plastics** Directive, both during the internal preparations of the Commission proposal and during the inter-institutional process. Taking the lead in particular on lost fishing gear, DG MARE contributed significantly to the successful outcome of the negotiations and the political agreement reached by the European Parliament and the Council on 19 December 2018. The new Directive will include ambitious measures that will tackle marine litter at its source, by targeting plastic products most often found on beaches, as well as abandoned fishing gear.



The Agreement to prevent unregulated fishing in the High Seas of the Central **Arctic** Ocean³⁹, negotiated by DG MARE and signed in October 2018, is a historic landmark. It will prevent unregulated commercial fishing in the high seas portion of the central Arctic Ocean, an area that is roughly 2.8 million square kilometres in size: about the size of the Mediterranean Sea, thus filling a significant gap in the region's governance framework. It will protect the fragile Arctic ecosystem for future generations whilst promoting a sustainable development of the region.

³⁹ https://ec.europa.eu/fisheries/eu-and-arctic-partners-enter-historic-agreement-prevent-unregulated-fishing-high-seas-%E2%80%93-frequently_en



Source: <https://twitter.com/KarmenuVella/status/1056905118577319937/photo/1>

After the great success of the EU hosted Our Ocean Conference in Malta in 2017, the **Our Ocean Conference (OOC) 2018** (October, Bali)⁴⁰ managed to keep the momentum and to generate new commitments from governments, companies and non-governmental organisations to conserve and sustainably use the oceans, seas and marine resources. Between 2014 and 2017, the number of commitments made at the Our Ocean Conference increased at a steady rate. In Bali, the EU announced close to €300 million of EU-funded initiatives to tackle global oceans challenges. This comes on top of the €550 million committed by the EU at the 2017 Conference⁴¹.

As regards the **Law of the Sea**, we negotiated in the Inter-governmental Conference the new legally binding instrument under UNCLOS on the conservation and sustainable use of marine biodiversity of areas beyond national jurisdiction (BBNJ). The United Nations General Assembly (UNGA) adopted two resolutions concerning the Oceans and the law of the sea and Sustainable fisheries, in line with the EU's agenda on ocean governance⁴².

1.4 Sustainable fisheries worldwide

In 2018, the Commission continued to deliver on its commitment to achieve more sustainable fisheries worldwide. The situation regarding the **conservation measures adopted by Regional Fisheries Management Organisations** (RFMOs) in line with scientific advice remains largely similar to 2017. We achieved our mid-term target (95% of measures adopted corresponding to scientific advice) already last year. In 2018, 52 of the 59 conservation measures adopted by Regional Fisheries Management Organisations of which the EU is a member where in line with scientific advice (i.e. 88% of all conservation measures adopted). Our 2020 target is 100%.

⁴⁰ https://ec.europa.eu/info/events/sustainable-development-goals/our-ocean-2018-conference-2018-oct-29_en

⁴¹ <https://ourocean2018.org/?l=our-ocean-commitments>

⁴² https://ec.europa.eu/maritimeaffairs/press/eu-promotes-ocean-governance-united-nations-general-assembly-%E2%80%93-two-resolutions-adopted_en

After two years of intensive negotiations, ICCAT (the International Commission for the conservation of Atlantic Tunas) adopted a management plan for Bluefin tuna during its annual meeting on 12-19 November 2018. The EU proposal, which facilitated an important agreement on the new Bluefin tuna plan, took account of the satisfactory status of the Bluefin tuna stock. It also took the scientific advice to move from the current rebuilding plan to a management plan, without weakening control measures.

Thanks to particular efforts by the EU, the WCPFC (Western and Central Pacific Fisheries Commission) adopted a rebuilding plan for Bluefin tuna in the Pacific Ocean that should bring the stock to sustainable levels.

Compared to 2017 the situation remains unchanged for the two stocks that are still being overfished:

- Bigeye tuna in the Atlantic Ocean. Reported catches exceed the Total Allowable Catches of 65.000 tonnes by 20% and must be brought under strict control. Regrettably, ICCAT was unable to reach agreement on an ambitious long-term management plan for tropical tuna fisheries in the Atlantic, despite a balanced proposal from the EU. The aim is to bring fisheries to sustainable levels in 2019.
- Yellowfin tuna in the Indian Ocean. Despite the IOTC (Indian Ocean Tuna Commission) measures of 2017-2018 to reduce catches of yellowfin tuna from 5% to 15% (depending on the fishing gear) compared to the 2014-2015 levels, overall catches increased by around 3% resulting in a poor stock status.

In November 2018, the Annual meeting of the North East Atlantic Fisheries Commission adopted the **FLUX standard**⁴³ for data exchanges, which had proved successful in the General Fisheries Commission for the Mediterranean. With the FLUX standard, Regional Fisheries Management Organisations and countries around the world for the first time have an IT tool at their disposal to automate the collection and dissemination of the fishery catch data needed for sustainable fishery management and for detecting and fighting illegal, unreported and unregulated fishing. The standard is also harmonised with the standards used in the tax and food traceability domains. All exchanges take place via a central data exchange platform hosted by DG MARE.

1.5 Fisheries agreements

The EU concludes sustainable fisheries partnership agreements (SFPAs) with third countries with the objective of contributing to:

- the safeguarding of the traditional fisheries activities of the EU fleet;
- the fight against illegal, unreported and unregulated fishing in the partner country's waters;
- a reinforced capacity of the partner country to manage its fisheries resources sustainably, and
- the development of the local economy.

⁴³ In 2013, DG MARE launched the Fisheries Language for Universal Exchange (FLUX) project in a UN working group to produce a standard for fisheries data management.

SFPAs GUARANTEE THE RESPECT OF THE EUROPEAN COMMON FISHERIES POLICY'S KEY PRINCIPLES AND VALUES



At the end of 2018, 9 **Protocols to SFPAs** were in force (compared to 12 at the end of 2017). The payments for SFPAs covering the access rights to the partner countries' waters and the sectorial support to promote sustainable fisheries development in the partner countries amounted to €92,5 million.

In 2018, negotiations took place with 8 countries and were successfully completed for the renewal of the Protocol with Ivory Coast, Morocco, Cape Verde and Guinea-Bissau. The negotiation directives for the agreement with Morocco had to be revised following a judgement of the European Court of Justice. A new Agreement and Protocol was agreed with The Gambia. Negotiations continue with Sao Tome e Principe, Kiribati and Madagascar. Finally, there have been on-going contacts with Gabon and Mozambique to renew the Protocols with these countries.

In view of future negotiation mandates with Mauritania, Seychelles and Senegal, DG MARE launched preparatory work for the ex-post and ex-ante evaluations of the SFPA Protocols with these countries. The evaluation results are taken on board in the negotiations for the renewal of agreements, more notably in relation to the level of fishing opportunities agreed upon, the relevant technical provisions applicable and the rules regarding the implementation and monitoring of the multiannual sectoral programmes.

The number of **fishing authorisations** issued under SFPAs in force:

- remained stable with 336 authorisations issued in 2018 for 119 vessels related to tuna agreements (a single vessel can receive several authorisations to fish in various countries), and
- decreased from around 500 to 343 authorisations for 143 vessels for mixed fisheries, mostly because of the interruption of the agreement with Morocco.

The Commission received notifications of around 130 **direct authorisations** ("private licences") for fishing activities outside Union waters where no SFPA applies in accordance with the new Regulation on the sustainable management of external fishing fleets⁴⁴. The "**SMEFF Regulation**" revising the 'Fishing Authorisation Regulation 1006/2008 to improve the management of EU vessels fishing outside EU waters entered into force at the end of 2017.

The European Court of Auditors carried out a follow-up audit to verify the

⁴⁴ Regulation (EU) 2017/2403 of the European Parliament and of the Council of 12 December 2017 on the sustainable management of external fishing fleets, and repealing Council Regulation (EC) No 1006/2008.

implementation of the recommendations made in its Special Report n° 11/2015 "Are the Fisheries Partnership Agreements well managed by the Commission?" In its preliminary findings⁴⁵ the Court concluded that 9⁴⁶ out of the 11 recommendations addressed to the Commission had been correctly implemented. The implementation of the two other recommendations (on regional strategies⁴⁷ and the licensing process⁴⁸) is still ongoing.

1.6 Fight against IUU fishing

Illegal, unreported and unregulated (IUU) fishing is a serious and growing problem worldwide. It depletes fish stocks, destroys marine habitats, endangers food security, distorts competition, puts honest fishermen at an unfair disadvantage and weakens coastal communities. Estimates show that IUU fishing is worth at least 10 billion euros per year, or at least 15% of world catches.



Because the EU is the largest importer of fishery and aquaculture products in the world, its market is a valuable target for IUU fishing operators. At present, 92 third countries have informed the EU of their flag state competent authorities for the validation of catch certificates, which are required for imports of fishery products to the EU.

The fight against IUU fishing and the implementation of the IUU Regulation⁴⁹ therefore remains one of DG MARE's key priorities. It is part of the EU's Ocean Governance agenda and one of the EU's actions contributing to the achievement of Sustainable Development Goal 14 to conserve and sustainably use the oceans,

⁴⁵ Clearing Letter 9468 of 11 December 2018.

⁴⁶ 1(a) To review dormant agreements and consider how to address the interruption of fishing activities imposed by the exclusivity clause;

1(c) To consider the utilisation rates of previous protocols when negotiating the fishing possibilities of new protocols;

1(d) To better analyse the potential impact of SFPA clauses on the use of the protocol;

1(e) To better focus ex post evaluations to obtain a consistent and comparable analysis of the return on public money spent under the protocols;

2(b) To promote the acceptance of electronic licences or of a list of authorised vessels;

2(c) To ensure that the new catch database is fully used;

3(a) To propose the introduction of eligibility requirements to assess actions being considered for sectoral support funding;

3(b) To ensure effective coordination on the subject of FPA sectoral support with other development partners;

3(c) To ensure that sectoral support disbursements are consistent with other budget support payments;

⁴⁷ 1(b) To define regional strategies for the development of fisheries governance.

⁴⁸ 2(a) To establish procedures to monitor each of the steps in the licensing process.

⁴⁹ Council Regulation (EC) No 1005/2008 of 29 September 2008 establishing a Community system to prevent, deter and eliminate illegal, unreported and unregulated fishing, amending Regulations (EEC) No 2847/93, (EC) No 1936/2001 and (EC) No 601/2004 and repealing Regulations (EC) No 1093/94 and (EC) No 1447/1999.

seas and marine resources. The EU enhances international and regional cooperation and ensures that all actors abide to their international law of the sea obligations to achieve this. The EU list of vessels engaged in IUU fishing was updated in December.

On 18 July 2018, the Commission lifted its "yellow card"⁵⁰ for Tuvalu, thereby recognising the important progress Tuvalu had made in addressing the shortcomings in its fisheries governance. Likewise, close cooperation and dialogue with the EU allowed Thailand to address successfully the shortcomings in its fisheries legal and administrative systems, so that in early 2019 the Commission could lift its "yellow card" also from Thailand for its actions against IUU fishing.

A new Fleet Register has been operational since 18 June 2018. It provides more accurate vessel data and is compatible with the FAO global fleet register, created to combat IUU fishing.

DG MARE has continued with the development of the IT tool "CATCH", aimed at digitalising data and documents submissions to the EU Catch Certification Scheme as part of the IUU Regulation. This should significantly reduce the risk of fraudulent imports, facilitate trade and ease control and verification by Member States at EU borders. The IT tool is in testing phase.

The IUU policy is not oriented to sanctioning but to effectively preventing IUU fishing products from being marketed in the EU and to building a permanent dialogue and cooperation with third countries.

Several factors, however, still pose a considerable challenge to effective implementation of the IUU Regulation by Member States:

- the Commission's capacity to influence third countries to comply with international rules in their capacity as flag, coastal, port or market States, is limited. This also applies to the behaviour of economic operators (fishing vessel owners and operators, processing companies, importers and exporters, and civil society stakeholders);
- the wide scope of this instrument and the many authorities involved;
- the volumes concerned (around 50% of the fishery products consumed in the EU are covered by the catch certification scheme).

⁵⁰ The yellow card is an official warning of the EU towards its trading partners in the fight against IUU fishing.

1.7 Control and enforcement

The success of the Common Fisheries Policy very much depends on an effective fisheries control system. It contributes to a level playing field, ensuring the same harmonised application of rules in all fisheries across the EU.



The EU's fisheries control system:

- 1. The "IUU Regulation":** establishing a Community system **to prevent, deter and eliminate illegal, unreported and unregulated fishing** - Council Regulation (EC) N°1005/2008
- 2. The Regulation concerning sustainable management of external fishing fleets** Regulation (EU) 2017/2403
- 3. The Regulation establishing a Community Control System for ensuring compliance with the rules of the Common Fisheries Policy** - Council Regulation (EC) N° 1224/2009

The Control Regulation⁵¹ establishes a system for the control, inspection and enforcement by national authorities.

In 2018, the Commission adopted a proposal to revise the EU's fisheries control system, in order to simplify it, make it more effective and efficient, to ensure full compliance with the reformed Common Fisheries Policy and equitable treatment of operators. The main objectives are the strengthening of the enforcement provisions, ensuring better quality and sharing of fisheries data and information, to reduce administrative burden and to enhance synergies with other policies. The proposal, which also follows up on the recommendations from the European Court of Auditors' Special Report n° 8/2017 "EU fisheries controls: more efforts needed", is currently under negotiation with the co-legislators.

A fisheries **control action plan** was established for Croatia, Cyprus, Greece, Italy and Malta to address the shortcomings in their fisheries control system. All Member States that were under an action plan in 2013 fulfilled it successfully. The risk of Member States non-fulfilling action plans is mitigated by audits and verifications of their control systems. Compliance issues are discussed in ad hoc dialogues with the competent authorities and with control and compliance expert groups. If necessary, an EU Pilot or infringement procedure is launched against the Member State concerned.

A stronger coordination between the **European Fisheries Control Agency** (EFCA) and DG MARE was ensured through regular bilateral meetings.

⁵¹ Council Regulation (EC) No 1224/2009 of 20 November 2009 establishing a Community control system for ensuring compliance with the rules of the common fisheries policy.

1.8 Structural support



The **European Maritime and Fisheries Fund** (EMFF⁵²) supports the implementation of both the Common Fisheries Policy and the Integrated Maritime Policy. The support is delivered through one operational programme per Member State (except for Luxembourg) and through projects directly managed by the Commission.

To prepare for post-2020, the Commission proposed in May 2018 a new €6,14 billion EMFF⁵³ to strengthen support for the Common Fisheries Policy, the EU's maritime policy and international commitments in the field of ocean governance, particularly in the context of the United Nations 2030 Agenda for Sustainable Development.

The impact assessment⁵⁴ on the new EMFF proposal concluded that the future support should be targeted to deliver on key objectives of the fisheries and maritime policies, notably:

- achieving Maximum Sustainable Yield in all sea-basins by 2020 and beyond;
- facilitating innovation and market development in the blue economy, including the development of local economies in coastal communities, and
- reducing administrative burden for Member States.

The proposed Fund will therefore promote simplification and put a stronger focus on results. It will enable investment in new maritime markets, technologies and services such as ocean energy and marine biotechnology. Coastal communities will receive more support and the Fund will also continue to support the European fisheries sector, with a particular focus on helping small-scale fisheries. The proposal is currently being discussed by the co-legislators.

The current EMFF's spending accelerated in 2018, since all Member States' programmes were fully operational. The last two Member States (Poland and Italy) completed the designation of their Certifying and Managing Authorities, thus enabling programme implementation. By the end of 2018, €978,5 million was certified⁵⁵ by the Member States, representing 17% (compared to 3,9% at the end of 2017) of the EMFF for 2014-2020.

⁵² [Regulation \(EU\) No 508/2014 of the European Parliament and of the Council of 15 May 2014 on the European Maritime and Fisheries Fund](#)

⁵³ COM(2018)390

⁵⁴ COM(2018)295

⁵⁵ The total amount of eligible expenditure entered into the accounting system of the certifying

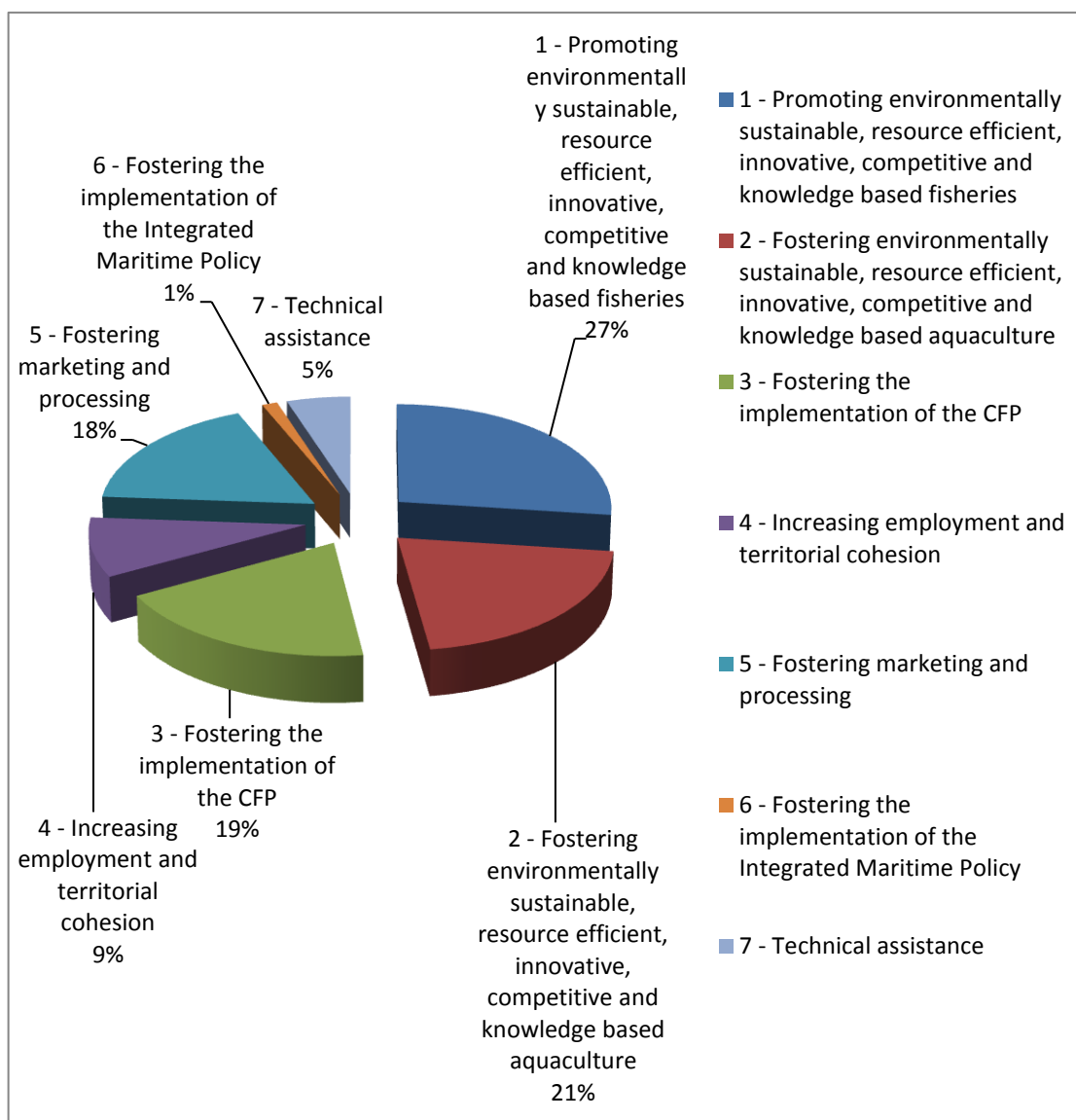
EMFF spending by Union Priority⁵⁶

Union Priority number	Union Priority name	Total in €	Percentage
1	Promoting environmentally sustainable, resource efficient, innovative, competitive and knowledge based fisheries	1 552 778 803	27,01%
2	Fostering environmentally sustainable, resource efficient, innovative, competitive and knowledge based aquaculture	1 198 667 887	20,85%
3	Fostering the implementation of the Common Fisheries Policy	1 100 000 000	19,13%
4	Increasing employment and territorial cohesion	524 816 451	9,13%
5	Fostering marketing and processing	1 010 418 274	17,57%
6	Fostering the implementation of the Integrated Maritime Policy	71 055 600	1,24%
7	Technical assistance	291 594 585	5,07%
	TOTAL	5 749 331 600	100,0%

authority and certified by the authority in line with Article 126(a) of the Common Provisions Regulation No 1303/2013.

⁵⁶ From 2014 on, based on Member States' operational programmes, as amended. These final allocations are fixed.

EMFF spending by Union Priority (in %):



As of 31 December 2017⁵⁷, more than 18.000 operations have been financed under EMFF shared management. More than half of those are designed to help small and medium-sized enterprises in fisheries and aquaculture become more competitive. More than one third are also designed to preserve and protect the marine environment, and to promote resource efficiency. The increase to 18.000 operations at the end of 2017 illustrates the improved rate of implementation. In comparison, fewer than 1.000 operations were financed by the end of 2015, increasing to nearly 6.000 at the end of 2016.

⁵⁷ The latest data is made available by Member States on 31 May each year in their Annual Implementation Reports. It corresponds to the state of implementation at the end of the preceding year. Data until the end of 2018 should be communicated in May 2019.

The following examples illustrate the **EU added value of EMFF support** for projects in Member States:

Fresh fish from Vienna⁵⁸: *Thanks to the EMFF you can now buy fresh fish and vegetables produced right in the Austrian capital city of Vienna.*

The aquaponics start-up, established in 2016 with an EMFF contribution of around €30.000, combines vegetable farming with fish farming in large glasshouses to produce aubergines, tomatoes, cucumbers, peppers and chilli, as well as catfish and perch.

The farm grows vegetables on about 400 m² and can produce up to 12 tonnes of fish a year. The nutrient-rich wastewater from the fish farm is fed to the plants, while the waste heat from the greenhouse is used to heat the fish system.

The fish are sold from the farm's premises in Vienna, online and in well-known restaurants and cafés. Customers appreciate the freshness and regionality of the products, as well as the quality: the fish fillet is produced entirely without pharmaceuticals, as these would be harmful to the vegetables, while the vegetables are produced without any pesticides or other substances which would be harmful to the fish.

Voluntary protection of harbour porpoises and diving ducks in the Baltic⁵⁹:

This conservation project off the coast of Schleswig-Holstein, in Germany, is financed through the EMFF. The project is helping to support local fishermen, ecologists and administrative bodies in adopting measures to protect harbour porpoises and diving ducks.

Both species have been affected by bycatches in the region. Gillnet fishing has been identified as the main cause of death amongst porpoises washed up on the beach. The project brings people together to identify and find a solution. 240 local fishermen out of about 300 active ones in the area are taking part. They are now using shorter gillnets during summer months and are avoiding areas with many diving ducks in winter. Both these measures were judged by scientists to be suitable ways to protect the two marine species. The project is running between 2016 and 2019 and is supported by EU funding of around €400.000.

In terms of the local development priority, 3,600 projects were selected by the end of 2018. The network received specific assistance for evaluation of local development strategies, local resource management and fostering of a circular economy. In addition, the role of Fisheries Local Action Groups in support of women in the sector was analysed.

As regards the **direct managed part of the EMFF**, an interim evaluation study⁶⁰ found that actions funded through this strand, such as the European Market Observatory for Fisheries and Aquaculture Products (EUMOFA), the European Marine Observation and Data Network (EMODnet) and support for the Advisory Councils were appreciated by stakeholders and were a source of useful

⁵⁸ https://ec.europa.eu/fisheries/sites/fisheries/files/2019-fresh-fish-from-vienna_en.pdf

⁵⁹ https://ec.europa.eu/fisheries/sites/fisheries/files/docs/body/story-germany-harbour-porpoises_en.pdf

⁶⁰ <https://publications.europa.eu/en/publication-detail/-/publication/1f424d68-d670-11e8-9424-01aa75ed71a1/language-en>

information. It also noted, however, that links with the European Regional Development Fund (ERDF) could be improved and that a more comprehensive monitoring and evaluation system could be established. Specific progress indicators should also be further developed to better assess the impact of this funding. Such a system is being prepared for evaluations to accompany the next programming period, and will be ready by the time the impact of the funding starts to take hold in the coming years.

The closure of the **2007-2013 European Fisheries Fund** (EFF) continues to progress. Seven out of the 27 EFF operational programmes⁶¹ have been closed so far and the process is at an advanced stage for several other Member States.

1.9 Blue economy

Our continued efforts to stimulate a sustainable blue economy will help coastal communities and businesses across the Single Market unlock the potential that the oceans represent, especially by supporting new business ventures and investing in innovation.

In June 2018, the Commission published its **first Annual report on the Blue Economy**⁶². For the purpose of this report, the blue economy encompasses all economic activities related to our oceans, seas or coastal areas – from fisheries, shipbuilding and tourism to ocean energy and biotechnology. Essential components of the blue economy are marine knowledge to improve access to information, maritime spatial planning to ensure an efficient and sustainable management of activities at sea, and integrated maritime surveillance to give authorities a better picture of what is happening at sea. The sea basin strategies ensure tailor-made measures and foster cooperation between countries.

The blue economy is a fast-growing economic sector in the EU generating more than €560 billion a year and employing more than 3,5 million people. Spain accounts for one fifth of total employment in the sector, followed by Italy, the United Kingdom and Greece. Combined, these four Member States account for more than half of jobs related to the blue economy. In several EU member states the blue economy, which is set to double in size globally by 2030, has grown faster than the national economy in the last decade.

In the last 10 years, the **ocean energy** sector⁶³ attracted more than €3 billion of investments, including €1 billion of public funding. The European Commission has provided support and in particular over €250 million through its research and innovation programmes⁶⁴. The capacity of full scale devices deployed, tested at sea and connected to the grid was at 254 MW in 2016⁶⁵ (latest available data). The sector employs around 2.000 people across the whole value chain. Attracting and de-risking investment in ocean energy will contribute to a faster deployment and a larger share in the renewable energy mix.

Offshore wind power in Europe is now at 15.780 MW (2017, latest data⁶⁶). In 2017, 3.148 MW additional capacity was installed and grid-connected. This was a

⁶¹ https://ec.europa.eu/fisheries/cfp/eff/op_en. For the 2007-2013 period, Luxembourg did not receive funding from the EFF.

⁶² <https://publications.europa.eu/en/publication-detail/-/publication/79299d10-8a35-11e8-ac6a-01aa75ed71a1>

⁶³ Ocean energy includes, among other, tidal range, tidal stream and wave energy.

⁶⁴ https://ec.europa.eu/maritimeaffairs/content/market-study-ocean-energy_en

⁶⁵ JRC Ocean Energy Status Report 2016:

https://setis.ec.europa.eu/sites/default/files/reports/ocean_energy_report_2016.pdf

⁶⁶ Source: WindEurope <https://windeurope.org/wp-content/uploads/files/about->

record: twice as much as in 2016 and 4% higher than the previous record in 2015. 14 projects were finalised and connected to the grid, including the first world floating offshore wind farm (Scotland)⁶⁷. Work is continuing on a further 11 projects in Germany and the United Kingdom. By 2020, offshore wind is projected to grow to a total installed capacity of 25 GW.

Through the **Blue Invest 2018** match-making event, which we organised in May in Brussels⁶⁸, DG MARE managed to bring together more than 400 innovators, investors, the financial community and public authorities to boost the economic potential of the ocean while protecting its marine resources. The first European event of this kind contributed substantially to increase the engagement of the financial community with the blue economy, and to stimulate investment interest in marine and maritime sectors.



In 2018, DG MARE gathered commitments from financial institutions and players by presenting the **Sustainable Blue Economy Finance Principles** at the World Ocean Summit (March 2018, Cancún) and at Our Ocean 2018 (October, Bali). The world's first global framework to finance a sustainable ocean economy was launched on this occasion.

The first meeting of the **Blue Bio-economy Forum**⁶⁹ (December 2018, Amsterdam) brought together industry, financial experts, academics and public authorities, who looked at the current status of the emerging Blue Bioeconomy in Europe, identified strategic developments, market opportunities, financing possibilities and research priorities. The various exchanges of ideas thus resulted in the formulation of a roadmap for the development of the Blue Bioeconomy in the EU.

Planning human activities at sea so they happen safely and sustainably is a prerequisite to good ocean governance. The Commission and IOC-UNESCO⁷⁰ launched the International Forum on **Maritime Spatial Planning** with a first conference in May 2018 (Brussels)⁷¹, which gathered 160 experts from around the world who discussed cross-border maritime spatial planning.

Our **sea-basin strategies** induced effective cooperation between maritime regions and stakeholders all around Europe's coasts, and channelled EU support towards common objectives:

[wind/statistics/WindEurope-Annual-Offshore-Statistics-2017.pdf](#)

⁶⁷ It is estimated that 80% of the wind resources in the EU are in waters too deep for traditional wind turbines. Floating wind turbines can be installed in deeper waters, for instance off the Atlantic coast or the Mediterranean. Several Member States (ES, FR, IE, PT and SE) have announced the deployment of floating wind pilot farms from 2020 on.

⁶⁸ <https://blue-invest-2018.b2match.io/>

⁶⁹ https://ec.europa.eu/maritimeaffairs/press/blue-bioeconomy-forum-shape-future-blue-bioeconomy-europe_en

⁷⁰ the Intergovernmental Oceanographic Commission of UNESCO.

⁷¹ https://ec.europa.eu/maritimeaffairs/newsroom-topic/maritime-spatial-planning_en

DG MARE's work on the **Atlantic Strategy** focused on three main topics:

- The *revision of the Atlantic action plan* of 2013⁷² identified four priority areas to help generate sustainable growth in coastal regions and drive forward the blue economy. The results of the mid-term review were summarised in a Commission Staff Working Document (February 2018)⁷³ highlighting the main achievements, weaknesses and ways for future improvements.
- The *annual Atlantic Stakeholder Platform Conference* (October 2018, Vigo) focused on the blue skills and careers in the EU Atlantic area.
- The *Atlantic Assistance Mechanism* was continued for another 2 years to inform stakeholders on funding opportunities for their projects.

The work under the **North Seas** Energy Forum is progressing well. The 2016 Political Declaration on energy cooperation between the North Seas Countries includes a 3-year work program to deploy cost-effective offshore renewables, in particular wind and interconnection in the North Seas countries. DG MARE co-chairs together with the Netherlands the Support Group on Maritime Spatial Planning.

In the **Mediterranean**, the regional dialogue on Integrated Maritime Policy has progressed through the Union for the Mediterranean (UfM) Forum on the Blue Economy. A meeting of the Working Group was held in April 2018, as well as a Regional Seminar, and a Technical Assistance Workshop. DG MARE continued to support the WestMED Initiative⁷⁴ promoting the sustainable blue economy in 10 countries from the region⁷⁵ and encouraging cooperation for safety and security in the region.

The WestMED Stakeholder Conference and the Ministerial Meeting (December 2018, Algiers) gave shape to around 40 project ideas on various marine topics. The Ministerial meeting adopted a roadmap on the next steps of the WestMED Initiative. A WestMED Assistance Mechanism worth €1,4 million⁷⁶ was launched in October 2018 to support the implementation of this Initiative.

The Burgas Ministerial Declaration "Towards a Common Maritime Agenda for the **Black Sea**" was endorsed in the margin of the European Maritime Day (May 2018, Burgas). The participating countries⁷⁷ committed to develop and adopt a Common Maritime Agenda by May 2019.

The impact at sea basin level is now one of the award criteria of all **Blue Economy calls for tender**. A new round of Blue Economy Calls was published with a total budget of €18.7 million and focusing on Blue careers, Blue labs, and Innovation in the blue economy. 'Blue careers' recognise that the labour market is changing quickly and put the emphasis on entrepreneurial and social skills. In the framework of 'Blue labs', multidisciplinary partnerships between young scientists

⁷² COM(2013)279

⁷³ Commission Staff Working Document on the mid-term review of the Atlantic action plan: SWD(2018)49.

⁷⁴ https://ec.europa.eu/maritimeaffairs/press/western-mediterranean-countries-adopt-roadmap-develop-sustainable-blue-economy-region_en

⁷⁵ Algeria, France, Italy, Libya, Malta, Mauritania, Morocco, Portugal, Spain and Tunisia.

⁷⁶ Funded by the European Maritime and Fisheries Fund through the Executive Agency for Small and Medium-sized Enterprises (EASME).

⁷⁷ Bulgaria, Georgia, the Republic of Moldova, Romania, the Russian Federation, Ukraine, and Turkey.

and experienced mentors will be supported, which have in the past led to innovations such as microbes cleaning up oil spills and drones fighting marine litter. The grants for innovation in the maritime economy will help companies to fund pre-commercial demonstration projects, so that they can go to market and scale up much faster.

The first **Outermost Regions’** Forum (June 2018, Brussels) included a dedicated session on ‘Realising the potential of Outermost Regions for sustainable Blue Growth’, building on a study from 2017⁷⁸.

1.10 Aquaculture

Aquaculture is a strong and growing sector in the EU, which has exceeded already in 2016 (latest available data)⁷⁹ the target DG MARE had set for 2020:

- 1,4 million tonnes of seafood were produced and sold in 2016, worth almost €4,9 billion. This is a 2,2% yearly increase between 2014 and 2016 in volume and 3,1% in value;
- Profits doubled between 2014 and 2016 reaching €0,8 billion operating profit in 2016;
- Employment remained stable in terms of total employees (about 73.000) but continuously expanded in terms of full-time equivalents (from 36.000 in 2013 to almost 44.000 in 2016, an annual increase of 6,6%).



These figures mark a strong recovery in most of the large aquaculture countries since 2013. Despite this, the EU aquaculture sector continues to lag behind the world leaders in the sector⁸⁰.

To remedy this, multi-annual national strategic plans address most of the administrative issues that are slowing down the sector’s development. Some Member States adopted measures to simplify licensing procedures and identify areas suitable for aquaculture.

⁷⁸ <https://webgate.ec.europa.eu/maritimeforum/en/node/4111>

⁷⁹ [STECF 18-19: 2018 Economic Report of the EU Aquaculture Sector](#) (latest available data cover the year 2016).

⁸⁰ China is the world’s leading aquaculture producer with 58% of global production, followed by Indonesia, India, Vietnam and several other developing countries in East Asia. Overall, Asian countries produces 90% of global aquaculture. For developed countries, Norway and Chile are the leaders of marine aquaculture of salmon.

The EMFF provides a total of €1,2 billion to support the sector with measures to foster environmentally sustainable, resource-efficient, innovative, competitive and knowledge-based aquaculture. However, public funding for aquaculture investments is lagging behind.

To implement the Strategic Guidelines for the sustainable development of EU aquaculture⁸¹, DG MARE organised two good practice workshops (16-17 May and 26-27 November 2018) on the key barriers that hinder the growth of aquaculture. Since then, various Member States have announced initiatives to address bottlenecks and reduce administrative burdens for aquaculture. The mid-term review of the Open Method of Coordination for Aquaculture will show more detailed results in 2019.

A seminar "Aquaculture - Farmed in the EU regions" was organised jointly with the Committee of the Regions in February 2018, highlighting the role of regions in facilitating aquaculture businesses.

1.11 Market policy

Work continued in 2018 to bring Member States in line with the **CMO (Common Market Organisation) rules for fisheries and aquaculture products**. The CMO Regulation⁸² entrusts Member States with the task of checking that the producer organisations recognised in their territory comply with the CMO Rules. The verification, which started in 2016, provided mixed results: out of the 18 Member States where producer organisations are recognised, 10 have carried out checks to a satisfactory level and 7 are still in the process of carrying out checks. Checks in 5 Member States will require follow-up in 2019.

The second Eurobarometer survey on **EU consumer habits** regarding fishery and aquaculture products was published in December 2018. The findings will feed into a study in 2019 assessing the relevance of origin-related information on fishery products for EU consumers. The implementation of the consumer information rules is the task of Member States, with coordination at EU level.

EUMOFA⁸³ continued to be the reference Observatory for fisheries and aquaculture markets. In 2018, the focus was on extending data coverage. 18 Member States are now directly contributing, plus Iceland and Norway. EUMOFA also delivered price structure analyses to inform the negotiations on TACs and quotas, a first situation report on the Blue Bioeconomy, the "Monthly Highlights" and "The 2018 EU Fish Market" report.

1.12 Maritime security

In June 2018, the General Affairs Council adopted conclusions revising the **EU Maritime Security Strategy** (EUMSS) Action Plan of 2014⁸⁴ to ensure that the policy remains fit for purpose. The revised Plan focuses on the actions in five priority areas dedicated to crosscutting issues, and in new regional responses to major maritime hotspots in European sea basins (like the Mediterranean and the Black Sea) and internationally (the Gulf of Guinea, Horn of Africa-Red Sea and

⁸¹ COM(2013)229

⁸² Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products.

⁸³ European Market Observatory for Fisheries and Aquaculture Products: <https://www.eumofa.eu/>

⁸⁴ Council ref. 10494/18.

South-East Asia).

An important building block of the EUMSS is the **Maritime CISE** (Common Information Sharing Environment). It is set up to improve the interoperability between around 400 surveillance authorities. In 2018, DG MARE maintained a close dialogue with SG, DG MOVE and DG HOME and organised regular meetings with Member States' expert groups to ensure a proper development of CISE services. The technical section of the CISE e-Handbook was finalised, describing the CISE functionalities, how to apply and how to handle information. CISE will facilitate quick and reliable exchange of information across borders and across different maritime authorities. It will contribute to ensure a safe and secure maritime environment, which is a key precondition to allow the blue economy to grow. It will improve maritime surveillance and mitigate the diverse risks that might have a negative effect on our seas and shores, such as pollution, illegal and criminal activities, piracy, or terrorism.

All five **Guardians of the Sea** projects (three from the 2013 call and two from the 2014 call) were completed. Three projects selected under the 2015 call "Integrated Maritime Policy for the Mediterranean/Black Sea" were also finalised in 2018.

2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

This section explains *how* the DG delivered the achievements described in the previous section. It is divided into two subsections.

The first subsection reports the control results and all other relevant information that support management's assurance on the achievement of the financial management and internal control objectives⁸⁵. It includes any additional information necessary to establish that the available evidence is reliable, complete and comprehensive; appropriately covering all activities, programmes and management modes relevant to the DG.

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

2.1 Financial management and internal control

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

This examination is carried out by management, who monitors the functioning of the internal control systems on a continuous basis, and by internal and external auditors. Its results are explicitly documented and reported to the Director-General. The reports produced are:

- the reports by Authorising Officers by Subdelegation (AOSDs) in accordance with the AOSD Charter, together with questionnaires designed for the preparation of the Annual Activity Report;
- the reports on control results from management/audit authorities in Member States in shared management as well as the result of the Commission supervisory controls on the activities of these bodies;
- the reports from Authorising Officers in other DGs managing budget appropriations in cross sub-delegation;
- the contribution by the Director in charge of Risk Management and Internal Control, including the results of internal control monitoring at the DG level;
- the reports on recorded exceptions, non-compliance events and any cases of 'confirmation of instructions' (Art 92.3 FR);
- the reports of the ex-post audit sector;
- the monthly reports to MARE management on budget implementation;
- the limited conclusion of the Internal Auditor on the state of internal

⁸⁵ Art 36.2 FR: a) effectiveness, efficiency and economy of operations; b) reliability of reporting; c) safeguarding of assets and information; d) prevention, detection, correction and follow-up of fraud and irregularities; and e) adequate management of risks relating to the legality and regularity of underlying transactions

control, and the observations and recommendations reported by the Internal Audit Service (IAS);

- the observations and the recommendations reported by the European Court of Auditors (ECA).

These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a complete coverage of the budget delegated to the Director-General of DG MARE.

In addition, there are regular dedicated meetings between the Director-General and the Internal Control Coordinator on financial management, audit and internal control matters.

This section reports the control results and other relevant elements that support management's assurance. It is structured into (2.1.1) Control results, (2.1.2) Audit observations and recommendations, (2.1.3) Effectiveness of the internal control system, and resulting in (2.1.4) Conclusions on the impact as regards assurance.

2.1.1 Control results

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives⁸⁶. The DG's assurance building and materiality criteria are outlined in the AAR Annex 4. Annex 5 outlines the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the relevant control systems.

DG MARE 2018 PAYMENTS					
Budget Management Type	Budget Activity	Paid Amount (€)	% of Total Paid Amount	Average Paid Amount (€)	Number of Payments
		(1)	(2)	(3)	(4)
		as per AAR annex 3, table 2	= (1) / Total (1)	= (1) / (4)	as per AAR annex 3, table 6
Shared	EMFF	672.048.899	79,16%	5.600.407	120
	EFF/FIFG	23.605.780	2,78%	2.950.723	8
Total Shared Management		695.654.679	81,94%	5.434.802	128
Direct	SFPAs	92.467.390	10,89%	3.188.531	29
	Procurement and Grants	32.874.418	3,87%	86.969	378
	Other Expenditure	11.217.820	1,32%	43.820	256
Total Direct Management		136.559.628	16,08%	205.972	663
Indirect	EFCA Agency	16.813.000	1,98%	8.406.500	2
Total Indirect Management		16.813.000	1,98%	8.406.500	2
Total		849.027.308	100%	1.070.652	793

⁸⁶ 1) Effectiveness, efficiency and economy of operations; 2) reliability of reporting; 3) safeguarding of assets and information; 4) prevention, detection, correction and follow-up of fraud and irregularities; and 5) adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 36.2). The 2nd and/or 3rd Internal Control Objective(s) (ICO) only when applicable, given the DG's activities.

OVERVIEW – SHARED MANAGEMENT (82% of 2018 payments)

The most significant budget activity for DG MARE relates to the programmes under shared management, representing 82% of the DG's executed payments in 2018. Management relies on a number of complementary sources in its assessment of the effectiveness of the systems established by the Member States for the implementation of these programmes.

At the beginning of each programming period the operational Units responsible for structural measures have negotiated the programmes. The establishment of a satisfactory system architecture was a condition of programme approval. These Units are also responsible for monitoring their effective implementation. The Desk Officers and Heads of Unit are in regular contact with the managing authorities and participate in Monitoring Committee meetings organised by the Member States. In the course of programme implementation, these Units receive and process the payment claims and, where necessary, interrupt or suspend such claims and take other safeguard measures foreseen by the applicable legislation as appropriate.

The Member States submit annual implementation reports throughout the programming period and a final implementation report at closure which are evaluated by the Operational Units. In the context of the preparation of the AAR, the responsible Heads of Unit provide an opinion on the functioning of the management and control systems (MCS) in the Member States for which they are responsible.

1. European Maritime and Fisheries Fund (EMFF)

As regards the 2014-2020 period, programmes were negotiated as before, but the control of programme implementation was passed to Member States, in that they were empowered to designate their managing and certifying authorities on the basis of a review by an independent audit body. In 2018, €523,5 million were paid in interim payments (the remainder is attributable to annual pre-financing).

2. European Fisheries Fund (EFF)

Member States had submitted their final payment applications by 31 March 2017. For many Member States the 95% payment ceiling had already been reached prior to this date. The closure declarations were also submitted by Member States by 31 March 2017. Only once DG MARE has concluded its analysis of the material submitted (and any further information and clarifications) does it calculate a closing balance to be paid to, or recovered from, the Member State. This analysis has been concluded for the closure declarations of 26 Member States and in 2018 six closing balances were paid out. Furthermore, for 1 programme the relevant Member State was informed of a recovery required as a result of a negative closing balance.

In addition, two payments were made in relation to the FIG 2000-2006 period amounting to €0,3 million.

OVERVIEW – DIRECT MANAGEMENT (16% of 2018 payments)

1. Sustainable Fisheries Partnership Agreements (11% of 2018 payments)

Sustainable Fisheries Partnership Agreements (SFPAs) are negotiated and concluded by the Commission, on behalf of the European Union. Under an SFPA the EU obtains access to a third country's exclusive economic zone (EEZ) for EU

vessels which may carry out fishing activities. In return, the EU provides a financial contribution. This financial contribution is paid to each partner country annually, on the basis of the provisions set by protocols.

Each year, the Commission identifies in its Draft Budget those agreements that will be in force the following year together with possible future agreements or renewals of protocols. In 2018, the total amount paid for SFPAs was €92,5 million. While the financial contributions for each SFPA in force are covered by the annual allocation on the operational line, the amounts for new and renewed SFPAs are put in the reserve and only transferred to the operational line once the relevant legal basis enters into force.

The level of a financial contribution is the result of a negotiation with the partner country and is based on several factors, such as the value of the opportunities offered to the EU fleet to fish in the partner's EEZ as well as the level of support to the third country's efforts towards a more sustainable management of fisheries resources.

DG MARE's management of SFPA's relies on a number of controls performed to ensure that the financial contribution resulting from those negotiations represents a fair balance between the access to third country waters and the positive returns to the EU and ensure formal adoption of the agreements.

2. Procurement and Grants (4% of 2018 payments)

MARE implements the EMFF Annual Work Programme for procurement and grants, concluding procurement contracts (i.e. public contracts for services, supplies, works) and grant agreements, (i.e. direct financial contributions from the EU budget awarded by way of donations to third-party beneficiaries, usually non-profit-making organisations, engaged in activities that serve DG MARE's policies).

The award of such contracts and grants are subject to the specific provisions laid down in the Financial Regulation and the extensive corporate guidance derived from it.

This expenditure is partially managed directly by DG MARE, although the majority is delegated to an executive agency, notably the Executive Agency for Small and Medium-sized Enterprises (EASME).

Within the Directorate General, the management of tendering and grants procedures is decentralised to the operational Units of the Directorate General, which are responsible for operational initiation and verification.

The Directorate General ensures 100% ex ante verification of documents and procedures in relation to procurement and grants. An independent verification is carried out centrally by a dedicated department that performs checks during the entire lifecycle of the procedure, i.e. it reviews drafts of tendering/call for proposals specifications, invitations to tender/to submit a proposal, contract notices, evaluation and award reports, award decisions and contracts/agreements and payments.

DG MARE has also established an independent advisory committee (the Procurement Examination Group) which examines all procurement procedures above the procurement threshold and which advises the AOSDs on the legality and regularity of the procedures.

3. Other expenditure (1% of 2018 payments)

Other expenditure includes the compulsory contributions to Regional Fisheries Management Organisations (RFMO's), pilot projects, surveillance and control related expenditure as well as routine administrative expenditure.

BUDGET IMPLEMENTATION TASKS ENTRUSTED TO OTHER DGs AND ENTITIES

This section reports and assesses the elements that support the assurance on the achievement of the internal control objectives as regards the results of the DG's supervisory controls on the budget implementation tasks carried out by other Commission services and entrusted entities distinct from the Commission.

1. Executive Agency – EASME – Direct management

On 11 July 2014, the Commission took the decision to delegate powers to EASME for the implementation of part of the EMFF direct management expenditure relating to the Integrated Maritime Policy (IMP), Scientific Advice and Fisheries Control and Enforcement.

A memorandum of understanding (MoU) between EASME and DG MARE was signed on 23 September 2014. This MoU provides reporting and supervising arrangements with regard to the functioning of the Agency such as a Steering Committee, chaired by DG GROW and composed of representatives of all 7 parent DGs, including DG MARE. Additionally, a dedicated member of staff is appointed in MARE, as in each of the parent DGs, to act as coordinator between MARE and the Agency.

A dedicated unit in EASME manages grant actions, procurement contracts, calls and evaluations in line with the adopted work programmes.

In 2018, EASME managed 47 actions stemming from the 2017 and 2018 DG MARE work programmes.

2. Union bodies - EFCA - Indirect management (2% of 2018 payments)

Although Union bodies have full responsibility for their own management, a number of reporting and supervising arrangements allow DG MARE to exercise its supervisory role.

The Commission and DG MARE in particular participate at different levels of governance within the agency, from the Administrative Board to the Joint Deployment Plans. The Commission supervises the EFCA annual and multi-annual work programme, the Staff establishment plan and Budget. The Commission follows-up the discharge process by participating and if necessary intervening in the relevant parliamentary debates.

In 2018, the EU contribution to EFCA amounted to €16,8 million (see annex 8).

3. Cross sub-delegations – Direct management

Concerning sub-delegated resources, a report was received from REGIO, providing reasonable assurance on the use of the resources, for the purposes envisaged, in accordance with the principles of sound financial management. It covered MARE's participation in the IT system for Member States to communicate documents relating to programmes under shared management (SFC – Back-

office), the external validation assessment of the audit functions of ESIF DGs, the implementation of fi-compass and some joint studies. In 2018, DG REGIO utilised an amount of €0,03 million, in payment appropriations.

In 2018, the 2017 cross sub-delegations with DG GROW, promoting the trans-European coastal and maritime tourism products in third countries, and DG SANTE, for the creation of an electronic database for catch certificates, were replaced by a co-delegation, in line with the 2018 internal rules, thus ensuring the continuation of the projects.

2.1.1.1 Effectiveness

(i) Legality and regularity of the transactions

DG MARE has set up internal control processes aimed to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments concerned.

2.1.1.1.1 Shared Management

European Maritime and Fisheries Fund (2014-2020)

Control objective

Regarding the legality and regularity of the underlying transactions, the objective is to ensure that the estimated residual total error rate (RTER) does not exceed 2% for each accounting year.

The Directorate-General therefore assesses each operational programme in order to identify the need for reservations and corrective measures to be applied.

Further details on the criteria determining when a reservation is made are set out in Annex 4.

Source of information used to build up the assurance

For the 2014-2020 programming period, in addition to the information sources listed below, the main source of information is the assurance package that national authorities must provide each year by 15 February, from 2016 to 2025 included. This comprises:

- The management declaration and annual summary, prepared by the managing authority;
- The certified accounts, prepared by the certifying authority, which must include: a) the total amount of eligible expenditure for the accounting year concerned, the total amount of corresponding public expenditure incurred and the total amount of corresponding payments made to beneficiaries; b) the amounts withdrawn and recovered during the accounting year, the amounts to be recovered as at the end of the accounting year and the irrecoverable amounts; c) the amounts of programme contributions paid to financial instruments under Article 41(1) and the advances of State aid under Article 131(4); d) for each priority, a reconciliation between the expenditure, stated in the accounts and the expenditure declared in the same accounting year, with an explanation of any differences;
- The annual control report and audit opinion, prepared by the audit authority, based on the main findings of the system audits carried out on the functioning of the MCS and on an appropriate sample of operations on the basis of the declared expenditure, as well as on the accounts prepared by the certifying authority.

DG MARE will also use the following sources of information:

- Audit work:

- MARE's audit work on the review of the reliability of the audit authorities;
- MARE's system and thematic audits;
- Relevant audit information received from DG REGIO, DG EMPL and/or the ECA.
- Other sources of information, formal or informal, acquired by the geographical units in the context of their day-to-day management of the programmes:
 - Annual implementation reports from the Member States;
 - Monitoring committees and annual review meetings;
 - Contacts with regional and national programme managers;
 - OLAF.

A. The assurance base: solid and supervised management & control systems in Member States

Description of the MCS systems (MS level, EC level):

The main features of the MCS of the 2014-2020 programming period are:

- Designation as a first layer of assurance aiming to ensure that the managing and certifying authorities in charge of each operational programme have the appropriate MCS set up from the start of the period, in line with assessment criteria set in the regulation. The notification of the designation is a condition for the submission of the first application for interim payment to the Commission. This is complemented by horizontal ex ante conditionalities to ensure that the appropriate legislative and regulatory environment is in place as from the start of the programmes.
- A twelve-month accounting period running from 1 July year n-1 to 30 June year n;
- Retention of 10% from each EU interim payment with reimbursement/recovery of annual balance due, following acceptance of accounts by the Commission;
- A performance framework setting up a 6% performance reserve to reward programmes which achieve results measured by output indicators at the end of 2018 and targets to be achieved by the end of 2023.
- Union contributions in the form of reimbursement of costs actually incurred, including simplified costs options, such as unit costs, lump sums and flat-rate financing.
- Submission of certified accounts for each programme, in respect of expenditure declared to the Commission in relation to the accounting period;
- Submission to the Commission of accompanying documents to provide assurance on the accuracy of the accounts, the effective functioning of the

system and the legality and regularity of the underlying transactions, i.e. management declaration, annual summary of controls and audits, audit opinion and control report (assurance documents);

- Obligatory application of net financial corrections where irregularities demonstrating serious system deficiencies are detected by the Commission or the European Court of Auditors, unless already identified in the assurance documents / other national audit reports submitted to the Commission, or remedial corrective measures have been taken by the Member State by the time of detection by EU audits.

In detail, the MCS and the related assurance process function as follows:

➤ **Designation:**

Articles 123 and 124 of Regulation (EU) No 1303/2013 provide the basis for the designation of authorities: the Member States shall notify to the Commission the date and form of the designation of the managing authority and the certifying authority, prior to the submission of the first claim for interim payment to the Commission. The aim is to ensure that these bodies have the necessary and appropriate MCS set up from the beginning of the period.

The designation is based on a report and an opinion of an independent audit body that assesses the authorities' fulfilment of the criteria relating to the internal control environment, risk management, management and control activities and monitoring activities. For the operational programmes with an allocation exceeding €100 million, either DG MARE, on the basis of its risk assessment, can request the designation package on which it may make observations within two months, or the Member State, on a voluntary basis, may submit the designation package to the Commission on which the latter shall make observations within three months.

Based on the results of the desk review, the MARE/EMPL/REGIO single audit strategy foresees the possibility to conduct on-the-spot fact finding missions, where additional information or clarifications have to be obtained before a conclusion on the designation process can be drawn. If an interim payment claim has already been submitted, it may be decided to carry out an 'early preventive system audit' (EPSA) which will focus on the functioning of the MCS at an early stage of implementation.

With the last four designation notifications, all 27 notifications in respect of the EMFF were received by the end of 2018.

➤ **During the accounting year (1 July N-1 to 30 June N)**

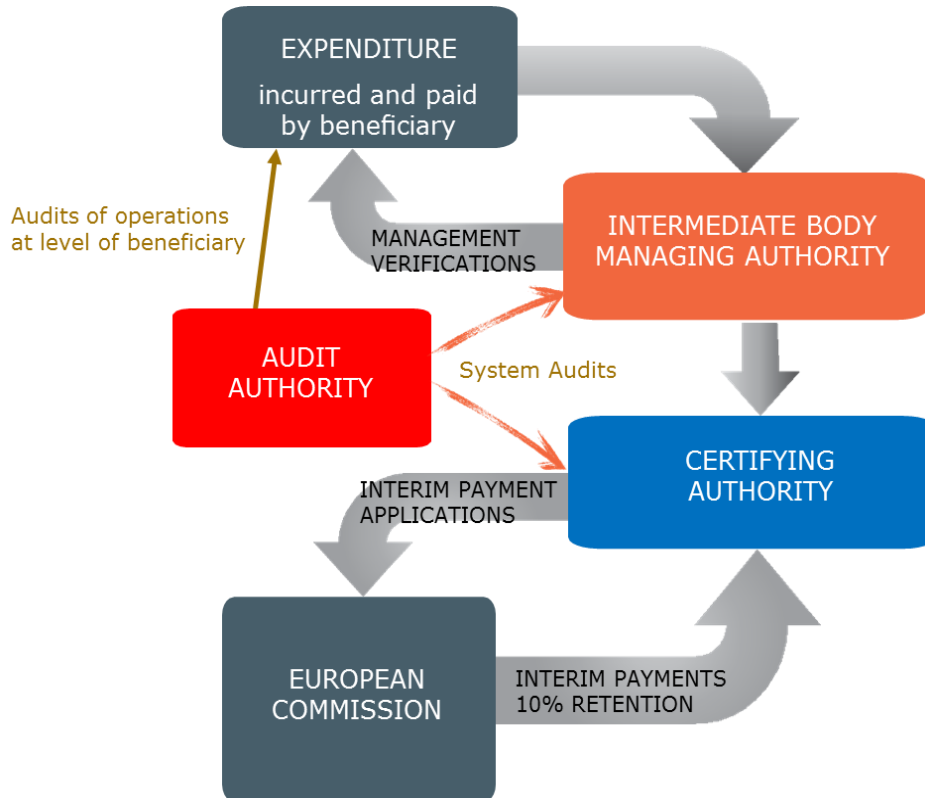
The **managing authority/intermediate body** carries out verifications during the accounting year. It verifies that the co-financed products have been delivered and the expenditure declared by the beneficiaries has been paid and that it complies with the applicable law, the operational programme and the conditions for support of the operation.

The verifications shall include:

- a) Administrative verifications in respect of each application for reimbursement from beneficiaries;
- b) On-the-spot verifications of operations on a sample basis.

Before submitting interim payment applications, the **certifying authority** certifies that they result from reliable accounting systems, are based on verifiable supporting documents and have been subject to verifications by the managing authority. The final interim payment claim is submitted by the certifying authority to the Commission by 31 July following the end of the accounting year.

The **audit authority** carries out audits on the MCS (system audits), the accounts, and of a sample of operations on the basis of the declared expenditure to the Commission during the accounting year. It has to organise its system audits and audits of operations to deliver the audit opinion by 15 February following the end of the accounting year.



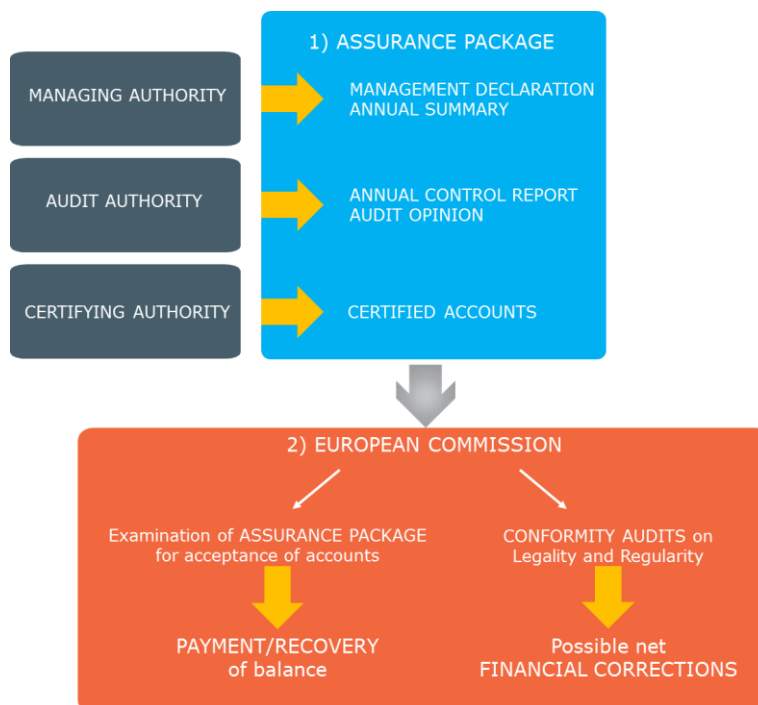
➤ ***The Commission's review of the assurance package (15 February N+1)***

The various authorities provide the five assurance documents⁸⁷ to the Commission by 15 February N+1 (or on 1 March in exceptional cases and on Member States request) as follows:

- The managing authority finalises the verifications to ensure that the expenditure to be certified in the accounts is legal and regular. It takes account of the audit authority's findings and makes the necessary financial corrections including flat rate corrections, if necessary. It draws up the management declaration and annual summary.
- The certifying authority collates all interim claims in the accounts and excludes the irregular amounts (and those under ongoing assessment) detected in relation to expenditure included in interim payment claims. It also takes account of the audit authority's findings, and satisfies itself that the necessary financial corrections (including flat rates) have been made. In the certified accounts, it provides explanations for the difference between the sum of interim payment claims and the accounts. It draws up the accounts, certifying their completeness, accuracy and veracity and that the expenditure entered in the accounts complies with applicable law.
- The audit authority finalises the system audits and audits of operations. It informs the managing authority/certifying authority, as applicable, of the final audit results, to enable those bodies to follow up the issues identified and to take the necessary corrective measures. It prepares the annual control report and annual audit opinion and calculates a total error rate and a residual total error rate in the accounts, taking into account the financial corrections implemented by the managing authority/certifying authority as a result of audits. It also carries out final audit work on the accounts and assesses the consistency of the management declaration.

Upon submission of the assurance package by the Member States, the Commission carries out the review of the assurance documents. This review comprises two processes, namely the acceptance of the accounts (by 31 May of year N+1) and the assessment of the legality and regularity of the underlying transactions (no legal deadline). The related desk reviews can be complemented by on-the-spot audit work (on a risk basis).

⁸⁷ The 'assurance package' comprises: (1) From the managing authority: annual summary and management declaration; (2) From the certifying authority: certified accounts and (3) from the audit authority: annual control report and audit opinion.



(1) Desk review – acceptance of accounts:

The acceptance of accounts process comprises four steps, namely

- (i) Admissibility check: Verification of completeness of the assurance package and of the correct use of the regulatory models.
- (ii) Quality check: Once the documents are considered admissible, the processes for the acceptance of accounts and for the legality and regularity of expenditure are decoupled. For the acceptance of accounts process, the next step is the assessment of the reliability of the audit opinion on the accounts and the relevant parts of the annual control report based on the Commission's own audits and/or other evidence available concerning the accounts.
- (iii) Decision by the Commission: After the quality check, the Commission concludes whether the accounts are true, complete and accurate and accordingly decides upon their acceptance. The Commission reaches such a conclusion where the audit authority has provided an unqualified audit opinion on the accounts unless the Commission has specific evidence that the audit opinion on the accounts is unreliable. The deadline for this decision is 31 May of year N+1. In justified cases, the Commission will not accept the accounts; this will trigger a contradictory procedure with the MS.
- (iv) Payment/recovery of the balance: Once the acceptance of accounts process is completed with a Commission decision determining the amount chargeable to the funds, the Commission clears the respective annual pre-financing and pays any additional amount due within 30 days. Where there is an amount recoverable from the MS, it will be subject to a recovery order.

(2) Desk review– Legality and regularity:

The legality and regularity process comprises three steps, namely:

- (i) *Admissibility check*: It is performed as part of the acceptance of accounts process, when the completeness of the assurance package is verified, see above (1)(i).
- (ii) *Quality check (preliminary consistency review)*: The next step in the legality and regularity process is the assessment of the reliability of the audit opinion on whether (i) the expenditure in the accounts for which reimbursement has been requested from the Commission is legal and regular and (ii) the MCS put in place is functioning properly.

In addition, the reliability of the error rates reported by the audit authorities within the assurance packages is assessed ("reportable error rates"). Audit authorities report the total error rate (TER), which is the rate prior to corrections, and a residual total error rate (RTER) which represents the error remaining in the accounts after corrections.

- (iii) *Determining the 'final position' on legality and regularity*: Based on the assessment of the audit opinion and annual control report, which also involves an evaluation of the management declaration and the annual summary, a final position letter is sent to the audit authorities. This letter sets out the opinion of the Commission on the legality and regularity of expenditure and the functioning of the MCS.

(3) On-the-spot work:

The desk review of the assurance package can be complemented by on-the-spot audit work consisting of two major risk based audit activities: (i) fact-finding missions and (ii) compliance audits:

- (i) *Fact-finding missions*: Their objective is to perform a targeted assurance review of the work done by the audit authority and to verify the correctness of the audit authority's error rate calculation and to detect possible weaknesses in the conclusions drawn by the audit authority. They are usually carried out just before or after the receipt of the assurance package.
- (ii) *Compliance audits*: The overall objective is to seek, via the review of the work of the audit authority, reasonable assurance that no serious deficiency in the MCS remains undetected, unreported and therefore uncorrected once the accounts have been submitted to the Commission. The audits are carried out on the basis of a risk assessment.

(4) Confirmation of error rates:

After the preliminary consistency review and, where applicable, additional audit work carried out, DG MARE concludes on the reliability of the errors rates for the accounting year 1 July N-1 to 30 June N ("confirmed error rates"). These confirmed error rates will be reported in the subsequent AAR, i.e. after the whole control process by both Member States' authorities and the Commission has been performed.

The confirmed RTER represents the most relevant key performance indicator of

the residual risk since the whole control chain has been applied to it⁸⁸.

While compliance audits are in principle carried out in regard with expenditure of the specific accounting year in question, in line with the legal provisions, the Commission can for individual cases continue to carry out audit work, including on the spot, covering expenditure certified in relation to previous accounting years. As a result, where necessary, the appropriate additional financial corrections will be applied without these resulting in a recalculation of the related error rates. The DG would disclose such corrections (additional to those already disclosed in previous years) in the subsequent AAR.

Audit activity carried out on the EMFF

➤ Designation desk review

Based on the results of the joint risk assessment established by DGs MARE, EMPL and REGIO, 8 EMFF operational programmes, (DE, ES, FR, HR, IT, NL, PL, and RO) were identified for a desk review of the designation packages. The main criteria were: large budgetary allocation; control weaknesses identified in the previous programming period; or programmes in Member States where the organisational structure has changed significantly. These 8 programmes account for 62% of the total EMFF resource allocation.

All 8 designation packages for the programmes selected were requested and received. They were analysed through desk review and are being complemented by Early Preventive Systems Audit missions (EPSA), with in general satisfactory results.

➤ EPSA missions

The EPSA missions focus on the effective functioning of the MCS at an early stage of implementation. They are primarily based on a review of the systems and procedures in place with regard to selected key requirements at the level of managing authorities, certifying authorities and intermediate bodies. Any significant deficiencies found may lead to interruptions of payment claims, with a requirement for corrective action (financial and/or systemic) before payments can resume. These audit assignments consist of two separate parts entailing two missions; the first focusses on the systems and procedures in place at the managing authority and intermediate body, while the second reviews the procedures in place at the certifying authority once a payment claim has been submitted to the Commission.

DG MARE selected 11 operational programmes for EPSA audits: the 8 originally selected for designation review and 3 others (BE, BG, CZ) for which direct assurance was considered necessary (due to high error rates in the past or the length of time since the previous audit). In 2018, EPSA audits were finalised in 9 Member States and the first part of the EPSA audits carried out in the remaining 2 Member States (IT, PL). For these latter 2 Member States the EPSA audit work was finalised in February 2019.

⁸⁸ After neutralizing the impact of advances paid into financial instruments and included (in line with Article 127 CPR) in the sample of audit authorities based on declared expenditure.

➤ **Compliance audits**

The single audit strategy for funds managed by DGs MARE, EMPL and REGIO for the 2014-2020 programming period is based on a control structure following the principles of the "single audit" and "reliance on the work of other auditors" as foreseen in Article 148 of the CPR. Following the assessment of the 12 assurance packages received in 2018, the Commission auditors have carried out 5 on-the-spot compliance audits to cover the main risks to the legality and regularity of the expenditure declared by the Member States concerned (BE, DK, EE, FI and UK). The overall objective of the compliance audits is to seek, via review of the work of audit authority, reasonable assurance that no serious deficiency in the MCS remains undetected, unreported and therefore uncorrected once the accounts have been submitted to the Commission.

➤ **Other missions**

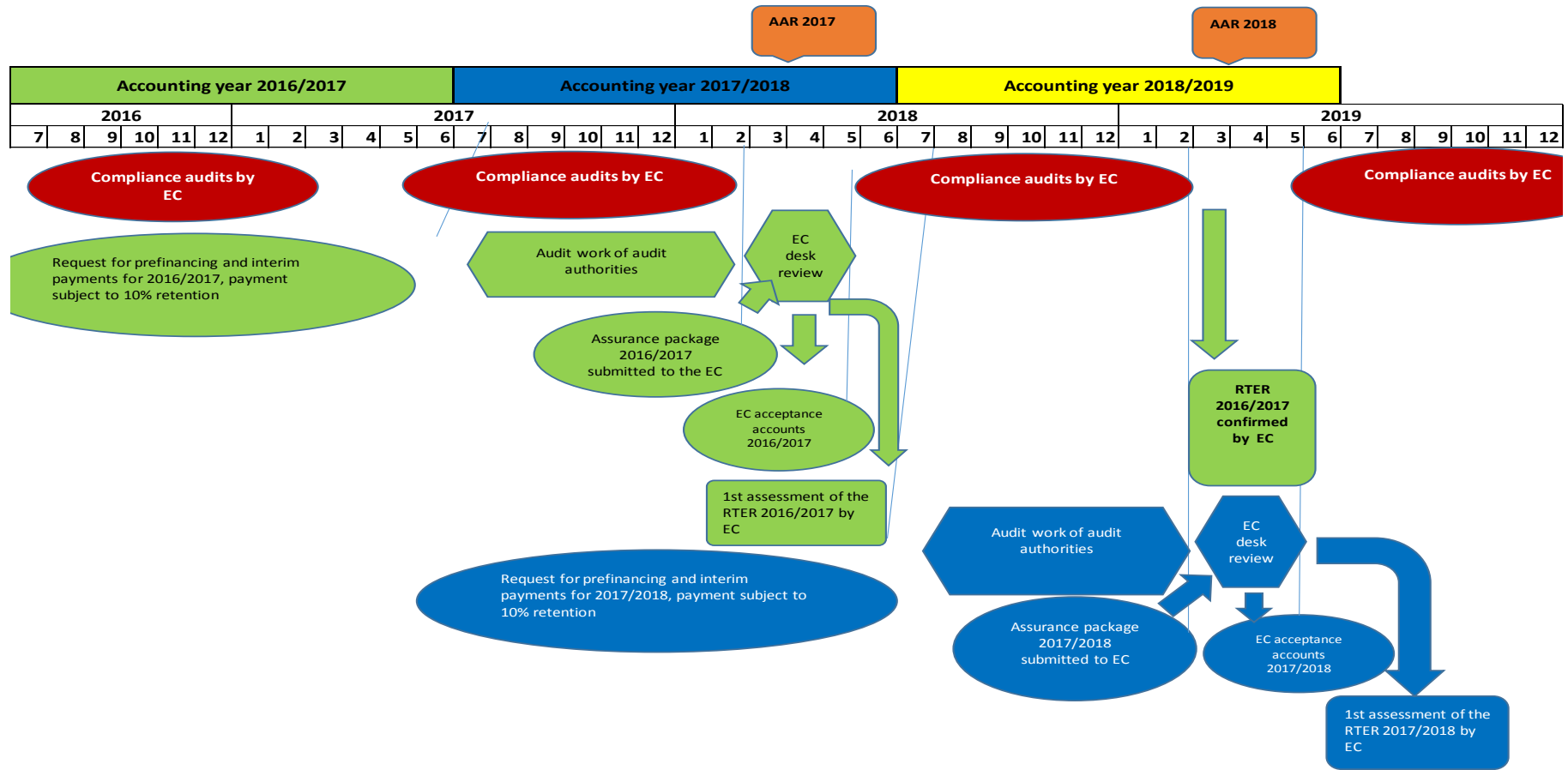
The single audit strategy also foresees thematic/targeted audits for programmes to cover horizontal areas (e.g. data collection previously under direct management).

For DG MARE, one thematic topic concerns the transfer of activities (surveillance and control, data collection, and markets) from a direct management to a shared management framework. In 2018, two related audit missions were carried out for data collection (IE and PT). The nature and extent of these audits was determined by early indications on the functioning of the system obtained from designation work, noting in particular each Member State's administrative arrangements, and the relative amount of payments made for this activity compared to the overall budget allocated to it. The results from both missions were satisfactory.

DG MARE also assessed the reliability of systems for reporting performance data in one Member State (AT) through a specific audit mission.

At a later stage, other audits might cover the recurrent issues of management verifications, withdrawals and recoveries, as well as the effectiveness of the anti-fraud measures established by the Member States.

ASSURANCE PROCESS



To be Reported in AAR 2018:
1) KPI: RTER 2016/2017 confirmed by EC
2) 2018 estimated risk at payment using the RTER 2016/2017 confirmed by EC or, when higher, the reported RTER 2017/2018

B. Annual assurance – results

The annual assurance is mainly based on DG MARE's analysis of the assurance packages provided by the Member States' authorities by 15 February each year from 2016, in combination with the results from all audit information available throughout the year, such as the assessment of national system audit reports and reports from other Commission services.

Once the assurance packages are analysed, DG MARE launches, on the basis of a risk assessment, compliance audits to review the work carried out by the audit authorities.

Reliability of the accounts

During the fourth accounting year (from 1 July 2017 to 30 June 2018), expenditure was declared to the Commission by the Member States' certifying authorities for 24 programmes. The remaining three accounts submitted were nil returns (HU, IT and SK).

DG MARE reviews the annual control reports and opinions for each Member State, ensuring that they contain information on (as applicable): the methodology used, the results of any systems audits, the results of audits on operations, and work on withdrawals and recoveries. It also assesses the consistency of the audit opinion with the underlying information. A deeper analysis of these components occurs as part of the legality and regularity process.

The audit authorities provided unqualified opinions on the accounts submitted for the 24 programmes, issuing disclaimers of opinion or unqualified opinion for the "zero accounts" for the remaining three programmes (HU, IT and SK). The accounts are acceptable in all cases.

Desk review on Legality and Regularity

In addition to the opinion on the annual accounts, the annual control reports provide opinions on the MCS in place and on the legality and regularity of the underlying transactions. The audit authorities report a total error rate (TER), which is the rate prior to corrections, and a residual total error rate (RTER) which represents the error remaining in the accounts after corrections. If the RTER exceeds 2% of the expenditure declared, the operational programme concerned will be placed under reservation.

During its desk review, special attention is given to the sampling methodologies and parameters used by the national audit authorities, analysis and treatment of errors identified and the financial corrections affecting the residual total error rates as well as expenditure withdrawn from the accounts and reported as under ongoing assessment.

DG MARE has carried out a first preliminary consistency review of the error rates reported by the Member States leading to the "reportable" error rates.

In particular, as part of these checks, MARE assessed:

- that the Member States' authorities have taken appropriate preventive and corrective actions to follow-up the interruptions and warnings issued by the Commission;

- that audit conclusions reported by the audit authorities are in line with the national system audit reports issued during the period, as well as the results of the Commission's on-the-spot audit work;
- that the expenditure under on-going assessment has been deducted from the accounts in accordance with article 137(2) CPR and was appropriately treated by the programme authorities when calculating the residual total error rate.

DG MARE has also assessed whether the Member States have made the necessary deductions to eliminate material ineligible expenditure. Six programmes (CZ, ES, FR, HR, PT and UK) feature a TER in excess of 2%, but the necessary corrective actions were taken and the related RTERs did not exceed materiality.

For the remaining 18 Member States that submitted accounts, the TER did not exceed 2%.

Three Member States (HU, IT and SK) submitted payment applications only in the second semester of 2018 (and thus did not submit accounts, or reported error rates, for the accounting period ending 30 June 2018). In such cases, a prudent approach is taken for the RTER with a flat rate of 2% being used: it is assumed that corrections will be made by Member States to eliminate material ineligible expenditure prior to submission of the accounts.

The methodology for calculating the "relevant expenditure" and determining "amounts at risk" is as follows:

- the risk at payment for each programme is obtained by applying to the "relevant expenditure" the residual total error rate of the accounting year 2016-2017 confirmed by the Commission services or, when it is higher, the residual total error rate reported by the audit authorities for the accounting year 2017-2018;
- in case there is no confirmed residual total error rate for the accounting year 2016-2017, the higher residual total error rate between the one reported by the audit authorities for the accounting year 2017-2018 and a 2% flat rate is applied;
- in case no error rates are reported yet by the audit authorities a 2% flat rate is used by default.

The table below shows the amounts at risk per Member State. The resulting weighted residual total error rate for the EMFF is 1,57%.

2018 EMFF RELEVANT EXPENDITURE AND AMOUNT AT RISK AT PAYMENT (€)			
MS	Relevant expenditure 2018 (for details see Annex 10)	Residual Total Error Rate (RTER) applied	Amount at risk at payment
	(1)	(2)	(3)
	<i>as per SFC2014</i>	<i>calculated as per Annex 4</i>	<i>= (1) * (2)</i>
AT	673.319	0,38%	2.559
BE	6.439.790	0,12%	7.728
BG	771.887	2,00%	15.438
CY	4.692.727	2,00%	93.855
CZ	5.704.822	2,00%	114.096
DE	28.084.445	2,00%	561.689
DK	-	0,48%	-
EE*	12.705.814	0,29%	36.847
ES	32.594.346	2,00%	651.887
FI	13.156.628	0,00%	-
FR	79.332.460	2,00%	1.586.649
GR	26.106.163	2,00%	522.123
HR	31.460.504	2,00%	629.210
HU	422.096	2,00%	8.442
IE	15.101.126	2,00%	302.023
IT	63.218.405	2,00%	1.264.368
LT	6.025.008	0,00%	-
LV	20.870.203	0,00%	-
MT	1.667.820	0,00%	-
NL	8.420.007	2,00%	168.400
PL	71.526.622	2,00%	1.430.532
PT	42.885.044	1,40%	600.391
RO	18.682.806	2,00%	373.656
SE	25.327.746	0,00%	-
SI	1.462.622	2,00%	29.252
SK	669.335	2,00%	13.387
UK	38.296.335	0,90%	344.667
TOTAL	556.298.080		8.757.199
Weighted residual total error rate (RTER)		1,57%	

* RTER calculated without advance payments to Financial Instruments (€1,8 million)

Confirmation of error rates reported in 2017 AAR

In the 2017 AAR, DG MARE quoted the error rates as reported by the national audit authorities in the annual control reports relating to each of their respective operational programmes. DG MARE reviewed these rates and used them for the calculation of the amounts at risk per OP.

The desk review, of the assurance packages and the analysis of all other information available, such as Commission audit work carried out throughout previous years and national system audit reports, give DG MARE a good view of the reliability that can be placed on the national audit authorities. Following this work DG MARE identifies, via a risk assessment based on the relevant risk factors including the budgetary weighting, those audit authorities for which the assessment will be complemented by a compliance audit.

In 2018, 12 full assurance packages had been received out of which 7 (AT, FR, LT, LV, MT, PT and SE) were considered reliable on the basis of the desk work carried out on the assurance packages and other audit work. For the remaining 5 Member States (BE, DK, EE, FI and UK) compliance audits were carried out during the second half of the reporting year. In the course of these audits, the error rates reported by the audit authorities in their annual control reports were verified and confirmed by DG MARE. All previously reported error rates were confirmed to be reliable and only a minor deviation with marginal impact was found for the error rates of one Member State (DK), where the confirmed TER was revised from 1,92% to 1,97% and the RTER was revised from 0,43% to 0,48%. This had a negligible impact on the weighted RTER reported in the 2017 AAR, resulting in a confirmed RTER for the accounting year 2016-2017 of 0,46% (KPI 5).

The audit authorities have reported significant audit coverage through their audits of operations for the accounting year 2016-2017 by auditing 240 out of a total of 1774 operations, representing 39% of the total declared expenditure. This demonstrates that single auditing under shared management allows for a large audit coverage of beneficiaries and expenditure on-the-spot. At the same time the extended methodological guidance on statistical sampling tools recommended by the Commission helps the national audit authorities to keep a balanced level of audit work.

MARE can conclude with reasonable assurance that, after the control cycle (national and Commission) has been completed, there is no overall material residual risk remaining in the 2016-2017 accepted accounts.

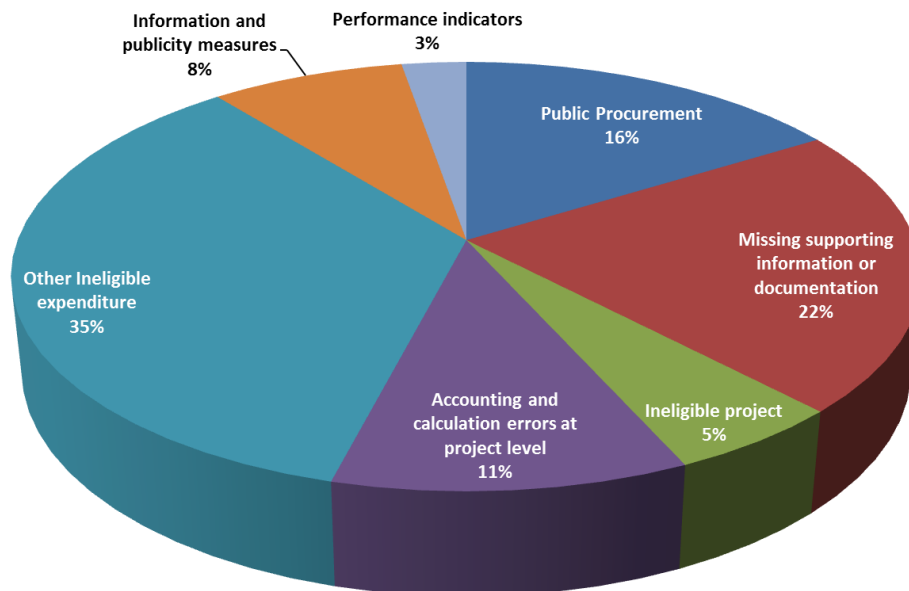
Moreover, following a common typology agreed and shared with the Commission (and now also aligned with the OLAF data base for reporting irregularities, IMS), for the first time in 2018, the audit authorities reported on irregularities found in their audits of operations in accordance with this typology.

Of the total irregular expenditure relating to accounting year 2016-2017, some 80% (cf. 35% in terms of frequency) relates to the "other ineligible expenditure" type of irregularity.

The breakdown by frequency of the typology of audit findings reported for the accounting year 2016-2017:

Typology of audit findings reported by the audit authorities (accounting year 2016-2017)

Frequency (% of total EMFF number of cases)



Interruptions/suspensions of payments

As per 31/12/2018, there were 4 open cases of interruptions/suspensions for a total amount of €34 million. The cases are currently being followed up in close cooperation with the Member States concerned:

➤ ***Interruptions related to MCS***

- Denmark (€18,9 million): The Danish Court of Auditors (Rigsrevisionen) published a report on the results of their audit of the managing authority. The two main issues identified related to (i) the failure of the managing authority to correctly apply the admissibility criteria of the beneficiaries and (ii) a potential issue of fraud⁸⁹ at the level of some beneficiaries (possible conflict of interest, incomplete applications, violation of funding conditions). These issues have led to the interruption of payment applications by the responsible AOSD. The Member State is currently working on identifying in detail the actual impact of the findings reported by the Rigsrevisionen and will subsequently report to the Commission on the results and corrective measures, including potential financial corrections and system improvements. The payment interruption will be lifted when the necessary corrective actions have been taken.
- Croatia (€8,7 million): During an EPSA audit DG MARE detected material systemic weaknesses at the level of the managing authority concerning the

⁸⁹ Reported to OLAF by Danish authorities

approval of projects under one Union priority, leading to the partial interruption of payment claims, subject to further information and comments being provided by the Croatian authorities.

➤ ***Interruptions/suspensions related to non-compliance with CFP obligations***

- Ireland (€6,1 million): Ireland has not fulfilled the ex-ante conditionality 4 relating to the administrative capacity to comply with the implementation of a Union control, inspection and enforcement system as provided for in Article 36 of Regulation (EU) No 1380/2013. The expenditure of Union priority 3 of the programme will remain suspended until Ireland has taken the necessary measures to enable the suspension to be lifted.
- United Kingdom (€0,6 million): Due to the lack of a system of regular and systematic checks of compliance of Producer Organisations with the Regulation (EU) no 1379/2013 on the common organisation of the markets in fishery and aquaculture products, the payment deadline for part of expenditure under Union priority 5 was interrupted in 2018. This interruption has since been lifted (March 2019).

Financial corrections

There were no financial corrections applied under the EMFF in the reporting year.

Types of payments

In 2018, €148,6 million was paid out in pre-financing and €523,4 million was paid out in interim payments.

EMFF PAYMENTS MADE IN 2018 (€)			
Type of payment	Relating to the accounting year 2017-2018	Relating to the accounting year 2018-2019	2018 total payments made
	(1)	(2)	(3)
	<i>as per SFC2014</i>	<i>as per SFC2014</i>	= (1) + (2)
Annual pre-financing	148.620.222		148.620.222
Interim payments	174.829.206	348.599.472	523.428.678
Total	323.449.428	348.599.472	672.048.899

The Commission's assurance varies in accordance with the different types of payments made during the reporting year.

➤ ***Pre-financing payments***

The last initial pre-financing for the programmes was paid in 2016 in accordance with Article 134 (1) of Regulation (EU) No 1303/2013. Furthermore, annual pre-financing payments for an amount of €148,6 million was paid in 2018 in accordance with Article 134 (2) of Regulation (EU) No 1303/2013.

Pre-financing payments can be considered as not being 'at risk' from the legality and regularity perspective, due to the nature of these amounts still being assets of the European Commission which will be only transferred to Member States when 'cleared' in the Commission accounts at closure of programmes or at the moment of the acceptance of the accounts.

➤ ***Interim payments made in respect of the accounting year ended 30 June 2018***

DG MARE made interim payments amounting to €174,8 million for 23 programmes (all except DK, HU, IE and SK) in respect of the 2017-2018 accounting year.

DG MARE has analysed the assurance packages received on 15 February 2019⁹⁰, namely the annual control reports and audit opinions, management declarations and annual summaries for the purpose of the assurance.

The documents provide: information on final audit reports and of management verifications carried out, an analysis of the nature of errors and weaknesses identified in the MCS and corrective action/s (including financial corrections) taken or planned. As part of its assessment of the legality and regularity of expenditure, DG MARE analyses in depth, and provides its own opinion on, the information provided on the MCS, the audit strategy, systems audits, audits of operations, the audit authority's audit of the accounts, and the overall opinion provided.

➤ ***Interim payments made in 2018 in respect of the accounting year ending 30 June 2019***

DG MARE made interim payments amounting to €348,6 million for 24 programmes (all except AT, DK and HU) in respect of this period.

Reasonable assurance on these payments at this stage of implementation is provided by:

- The retention of 10% for 2014-2020 interim payments;
- Validation of the designation process by reliable and experienced audit authorities;
- Unqualified opinions submitted as part of the assurance packages;
- MCS that were shown to be generally effective during the previous programming period.

C. Overall assessment of the MCS and conclusion

The set-up of the assurance model for the 2014-2020 programming period strengthens the Member States' accountability and reduces the risk of a material level of error in the accounts. Moreover, the timely identification of deficiencies and the reporting of reliable error rates are in the Member States' best interests, given that the European Commission is now legally empowered to impose net financial corrections in cases where Member States did not address errors appropriately before submitting annual accounts.

⁹⁰ Including those received by 1 March

The retention of 10% from each interim payment made by the Commission ensures the protection of the EU budget during the year, before receipt of the assurance packages from the Member States.

The audit authorities of each Member State submitting accounts gave unqualified opinions on the accounts and the expenditure in the accounts.

DG MARE considers that the audit authorities' work and opinions are reliable.

DG MARE has reasonable assurance on EU payments made for the 2014-2020 programming period in 2018 since they bear no risk (pre-financing) or, for the interim payments made, adequate mechanisms are in place to ensure that only legal and regular expenditure is included and certified in the annual accounts.

There is no need for a reservation in respect of the EMFF, as the individual RTERs and the average RTER of all operational programmes do not exceed 2%.

European Fisheries Fund (2007-2013)

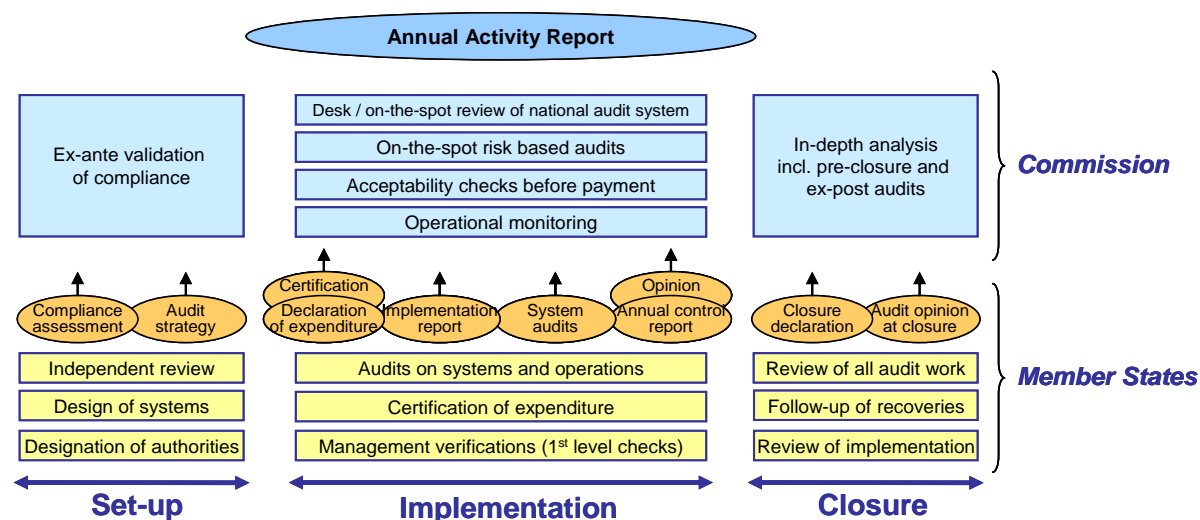
Control objective

Regarding the legality and regularity of the underlying transactions, the objective is to ensure that the estimated residual risk of error does not exceed 2%, at the end of the implementation of each programme.

Following the in-depth assessment of the closure documents received from Member States by 31 March 2017, a non-quantified reservation is made, where necessary, in accordance with the criteria as specified in Annex 4. Programmes are taken out of the reservation previously issued when the financial corrections necessary to cover the financial risks to the EU budget, have been identified, following the conclusions of the analysis of the closure declaration.

Source of information used to build up the assurance at closure

Different sources of information were used throughout the programming periods to build up the Director-General's annual declaration of assurance that the resources assigned to the activities have been used for the intended purpose and in accordance with the principle of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.



At the end of the programming period, i.e. by 31 March 2017, the audit authority gave its opinion on the legality and regularity of expenditure declared for each programme, based on the examination of the audit results, the expenditure and irregularities declared and withdrawals and recoveries made by the certifying authority.

DG MARE has scrutinised all closure declaration documents (desk review) and has performed a number of ex-post closure fact-finding missions to obtain additional assurance that the submitted closure documents, including the closure declarations and final control reports, are reliable.

A. Assurance at closure

Assessment of closure packages

By 31 March 2017 Member States submitted their closure packages, consisting of the final payment claim, the final implementation report and the closure declaration, supported by a final control report. The closure declarations were based, in particular, on all audit work carried out since the start of the programming period (i.e. systems audits and audits of operations) and a calculation of the residual risk rate (RRR) at closure.

All Member States reported total projected error rates (TPERs) for the 2015-2016 period covered by the final control report and a RRR covering the entire programming period. The final date for eligibility of expenditure paid by the beneficiaries was 31 December 2015.

Based on declared expenditure data, all audit authorities except two (IT and PT) had initially reported residual error rates not exceeding 2%. Of the opinions provided by the audit authorities, 20 were unqualified and 7 qualified.

DG MARE has carried out an in depth assessment, for each programme, of the information provided (in particular the audit opinion, the projected error rate covering the 2015 and 2016 expenditure and the RRR). By the end of 2018, this assessment had been concluded for 26 Member States and as a result, the necessary financial corrections had been identified, where applicable. These financial corrections are being considered for the calculation of the final balance for the OPs in question once all other closure related issues have been sufficiently treated, in accordance with the DG MARE closure procedure.

The final balance will either constitute a final payment to the Member State or a recovery, wherever the payments made to the Member State so far, exceed the total eligible expenditure declared.

For the remaining programme (IT) it will only be possible to carry out the in depth assessment of the final closure documents after the audit authority has completed the adequate audit work. This programme remains under reservation until any financial corrections necessary have been identified and the closure declaration can be accepted.

B. Annual assurance – results

Desk review on Legality and Regularity

For 2018, the amount at risk is estimated by applying the residual error rate communicated by the audit authorities at closure and confirmed by DG MARE to the "relevant expenditure", as set out in Annex 4. During 2018 six final balance payments were made to Belgium, Cyprus, Hungary, Ireland, Latvia and Poland, following the finalisation of the closure procedure. For all these Member States a residual risk rate at closure has been established and confirmed by DG MARE.

The weighted residual risk rate for the EFF of 0,92% in the table below is based on relevant expenditure during the reporting year and taking into consideration the above mentioned confirmed residual risk rates at closure.

EFF RELEVANT EXPENDITURE 2018 (€)					
MS	Payments 2018	Cleared pre-financing	Relevant expenditure	Residual risk rate (%)	Estimated overall amount at risk at Payment at closure
	(1)	(2)	(3)	(4)	(5)
	<i>as per AAR annex 3, table 2</i>	<i>as per ABAC DWH BO report on prefinancing</i>	<i>= (1) + (2)</i>	<i>as confirmed by DG MARE</i>	<i>= (3) * (4)</i>
BE	273.305	3.676.630	3.949.935	0,00%	11
CY	986.221	2.761.419	3.747.639	0,00%	-
HU	458.800	4.879.120	5.337.920	0,70%	37.207
IE	2.640.991	5.917.324	8.558.315	0,42%	35.618
LV	5.855.197	17.502.178	23.357.375	0,00%	-
PL	13.053.877	102.772.960	115.826.837	1,24%	1.435.435
SI	-	2.454.067	2.454.067	0,00%	-
Total	23.268.390	139.963.698	163.232.088		1.508.272
Weighted residual risk rate (RRR)				0,92%	

For the remaining operational programmes, including the one remaining in reservation, no payments were made during 2018; therefore there is no amount at risk for these programmes for the reporting year.

Confirmation of residual error rates reported in 2017 AAR

In the calculation of the EFF amounts at risk in the 2017 AAR (payments relating to AT, GR and MT), a flat rate of 2% was applied as residual risk rate (RRR) for the Greek operational programme since the assessment of the closure documents was ongoing. This assessment has been finalised and the confirmed RRR for this programme is 0%. Following this, the reported RRR in the 2017 AAR was revised from 1,53% to 0,03%.

Interruptions/suspensions of payments

Since closure was reached at 31 March 2017, no interim payments were made during the reporting year. For each OP, the payment of the balance at programme closure is only made once the final implementation report and the closure declaration are accepted, in accordance with Article 86 (4) of the EFF Regulation. Therefore, there are no open interruptions or suspensions at closure⁹¹.

Financial corrections

There were no financial corrections confirmed under the EFF in the reporting year.

⁹¹ An interruption or suspension decision in relation to applications for interim payment or the lifting of an existing suspension decision has become redundant since the underlying deficiencies or irregularities are dealt with in the course of the closure procedure.

Follow-up of 2017 reservation

In the 2017 AAR, 5 OPs of the 2007-2013 programming period remained under reservation: Bulgaria, Czech Republic, Italy, The Netherlands and Romania. All but one case (IT) were lifted during the course of 2018, following the finalisation of the analysis of the closure declarations and the identification of related financial corrections to be considered at closure, where necessary.

Further details are provided in Annex 10.

C. Overall assessment at closure and conclusion

For the 26 programmes for which the closure declaration was considered acceptable, residual amounts at risk at closure are below materiality following, where necessary, identification of appropriate financial corrections to be applied at closure.

For the programme (IT) for which the analysis of the closure documents is ongoing and which remains in reservation the final payment claim has been interrupted until the acceptance of the closure declaration and final implementation report. The calculation of the final balance will only be made once DG MARE has identified, if applicable, the financial corrections necessary to reduce the residual amounts at risk to a non-material level.

The weighted residual risk rate for the EFF of 0,92% is below materiality and for the remaining operational programmes, no payments were made during 2018.

Therefore, DG MARE has reasonable assurance on EU payments made for the 2007-2013 programming period in 2018.

2.1.1.1.2 Direct Management

Control objective

As regards legality and regularity, the standard quantitative materiality threshold of 2% of the executed payments is applied. In MARE this applies to all non-compliance events detected throughout the year and with a quantifiable impact on legality and regularity. In addition to this quantitative criterion, significant weaknesses detected in the functioning of the internal control system or entailing significant reputational risks for the DG or the Commission are considered as materiality criteria. In assessing the significance of the weakness, MARE takes into account the nature and scope, duration, as well as the existence of mitigating controls and/or remedial actions. In this respect, MARE would consider as materiality criteria a 'critical' recommendation issued by auditors in the context of a final audit report, and which it has accepted, for which insufficient corrective action has been taken to implement the recommendation.

Sustainable Fisheries Partnership Agreements

Assurance building process

Payments relating to Sustainable Fisheries Partnership Agreements made during the year totalled €92,5 million, equivalent to 11% of all amounts paid by the DG.

At the end of 2018, due to the expiry of the Morocco, Sao Tomé e Príncipe and Cape Verde protocols, a total number of 9 protocols to Sustainable Fisheries Partnership Agreements were in force, compared with 12 at the end of the

previous year.

In 2018, SFPA-related negotiations have taken place with a total of eight countries. They have been successfully completed for the renewal of the SFPA protocols with Ivory Coast, Morocco, Cape Verde and Guinea-Bissau. Morocco has mobilised considerable resources because of the nature of the negotiation and the need to amend the negotiation directives following the ECJ judgement, the ruling in Case C-263/14, as compliance with the principles of the rule of law and human rights are required for all actions of the European Union.

Also, a new agreement and protocol has been agreed upon with Gambia. Furthermore, some negotiation rounds have taken place, without being completed yet, with Sao Tome e Principe, Kiribati and Madagascar.

Finally, there have been on-going contacts with Gabon and Mozambique for the renewal of the protocols with these countries. Preliminary steps have been taken in view of obtaining a negotiation mandate with Mauritania, Seychelles and Senegal, through the launch of procedures for the ex-post and ex-ante evaluations of the SFPA Protocols with these countries.

An essential element of an SFPA is the policy dialogue on fisheries between the EU and the partner country during the negotiation process and the lifetime of the protocol.

Through its controls the DG ensures that the financial contribution resulting from the negotiations represents a fair balance between the access to third country waters and the positive returns for the EU.

Each agreement is negotiated under a formal mandate given to the Commission by the Council. The choice of the partner country with which the EU negotiates a new agreement, or the renewal of an existing one, is based on several factors as a result from an ex-ante evaluation, including a sufficient demand from the EU side (Member States and industry) and the corresponding interest of the third country in such negotiations, as well as the practicalities of the agreement and protocol proposed.

The results of the evaluations of existing protocols are taken on board in the negotiations for the renewal of agreements, more notably in relation to the level of fishing opportunities agreed upon, the relevant technical provisions applicable and the rules regarding the implementation and monitoring of the multiannual sectoral programmes.

Provided the negotiations are successful, the agreement and protocol are initialled by the Commission and the third country. This may be followed by a Council decision on provisional application, signature and conclusion. The agreements and protocols are then concluded by the Council with the consent of the European Parliament. A specific Council regulation is adopted allocating the available fishing possibilities and providing a breakdown per Member State and per category of vessel for the quota of fishing authorisations.

Most agreements and protocols establish a formal monitoring instrument in the form of a Joint Committee which brings together the Commission and the third country authorities. This mechanism allows the multiannual programming of the fishery policy of the partner country to be evaluated and adapted in light of the effective implementation of identified actions. This is done on the basis of a series of targets and indicators, including, where relevant, financial indicators. Joint Committee meetings are normally held at least once per year, which indeed was

the case for all the SFPAs in force in 2018. The implementation of the sectoral support was globally satisfactory although some delays were experienced with some of the partner countries.

The annual and multiannual work programme (so-called matrix) including priorities, objectives, associated actions allowing to achieve objectives and indicators enabling to measure the implementation of the actions is agreed between the 3rd country and the EU. The matrix is a tool to assess the implementation of the sectoral support. The assessment of the implementation of actions included in the matrix takes place annually at the Joint Committee meeting between the EU and the third country based on the reporting submitted by the third country. Based on the progress made in the implementation of the actions a sectoral support payment is agreed upon.

In the absence of any significant weakness detected which could have a material impact as regards the legality and regularity of the financial operations, it is concluded that the relevant control objective has been achieved.

Procurement and Grants

Assurance building process

In 2018, payments for an amount of €32,9 Million were made by MARE in relation to procurement and grants implementing the EMFF Annual Work Programme.

A combination of preventive, detective and corrective controls are embedded into the programming and planning, verification, execution and monitoring, management and reporting processes so as to ensure effective mitigation of the financial and management risks. The procurement and grant procedures are, to a large extent, subject to regulatory requirements which cannot be curtailed.

In addition, DG MARE considers that the necessity of these controls is undeniable; as shown by the risks outlined in annex 5, as a significant proportion of the appropriations would be at risk were they not in place.

One open procurement procedure was subject in 2018 to a review by the DG MARE Procurement Examination Group prior to the signature of the contract. This review did not reveal any errors with an impact on compliance.

In 2018 MARE finalised a financial audit of three operating grants (Advisory Councils). No findings with financial impact were identified during this audit.

In 2018, a call for proposals for a preparatory action was cancelled since no application with sufficient quality was received. There were neither legal cases nor official complaints about any of the procurement procedures carried out by MARE.

Late interest in 2018 totalled €450 (2017 totalled €1.660) and neither liquidated damages nor irregularities are to be reported.

DG MARE has no reported cases of confirmation of instructions (art. 92.3 FR), cases of derogations from the principle of non-retroactivity (art. 193.2 FR), or cases of flat rates for indirect costs exceeding 7% (art. 125.3 FR) to disclose and is not concerned by cases of financing not linked to costs (new FR art 125.3) or by Financial Framework Partnerships >4 years (new FR art 130.4).

In 2018, six exceptions, linked to non-compliance events, were recorded with regard to Procurement and Grants. They all related to prior non-compliance

events which led to an exception. Examination of the exceptions did not reveal any weaknesses in the control system. In addition, they were considered not to impact the legality and regularity of the underlying transactions.

In conclusion, the analysis of the available control results and the assessment of the weaknesses identified and their relative impact on legality and regularity has not unveiled any significant weakness which could have a material impact as regards the legality and regularity of the financial operations. It is possible to conclude that the control objective as regards legality and regularity has been achieved.

Conclusion on the control effectiveness as regards legality and regularity

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

For DG MARE, the estimated overall amount at risk at payment⁹² for the 2018 expenditure is 10,5 M€. This is the AOD's best, conservative estimation of the amount of *relevant expenditure*⁹³ during the year (863,5 M€) not in conformity with the applicable contractual and regulatory provisions at the time the payment is made⁹⁴.

This expenditure will be subsequently subject to ex-post controls and a sizeable proportion of the underlying error will be detected and corrected in successive years. The conservatively estimated future corrections⁹⁵ for the 2018 expenditure are 0,05 M€. This is the amount of errors that the DG conservatively estimates to identify and correct from controls that it will implement in successive years.

The difference between those two amounts leads to the estimated overall amount at risk at closure⁹⁶ for the 2018 expenditure of 10,4 M€.

⁹² In order to calculate the weighted average error rate (AER), the *detected or equivalent* error rates have been used; see note 6 to the table.

⁹³ "*relevant expenditure*" during the year; see note 5 to the table.

⁹⁴ "*payments made*" or *equivalent*; see note 2 to the table.

⁹⁵ Even though to some extent based on the 7 years historic Average of Recoveries and financial Corrections (ARC), which is the best available indication of the corrective capacity of the ex-post control systems implemented by the DG over the past years, the AOD has adjusted this historic average from 7 to 5 years. Any ex-ante elements, one-off events, (partially) cancelled or waived ROs, and other factors from the past years that would no longer be relevant for current programmes (e.g. higher ex-post corrections of previously higher errors in earlier generations of grant programmes, current programmes with entirely ex-ante control systems) have been adjusted in order to come to the best but conservative estimate of the ex-post future corrections to be applied to the reporting year's relevant expenditure for the current programmes and budget activities.

⁹⁶ For some programmes with no set *closure* point (e.g. EAGF) and for some multiannual programmes for which corrections are still possible afterwards (e.g. EAFRD and ESIF), all corrections that remain possible are considered for this estimate.

TABLE X - ESTIMATED OVERALL AMOUNT AT RISK AT CLOSURE

DG MARE	"payments made" (in FY; m€)	minus new prefinancing [plus retentions made] (in FY; m€)	plus cleared prefinancing [minus retentions (partially) released and deductions of expenditure made by MS] ¹ (in FY; m€)	= "relevant expenditure" (for the FY; m€)	Average Error Rate (weighted AER; %)	estimated overall amount at risk at payment (for FY; m€)	Average Recoveries and Corrections (adjusted ARC; %)	estimated future corrections [and deductions] (for FY; m€)	estimated overall amount at risk at closure (m€)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Budget Activity	as per AAR annex 3, table 2	as per ABAC DWH BO report on prefinancing and SFC2014	as per ABAC DWH BO report on prefinancing and SFC2014	= (2) + (3) + (4)	Detected error rates, or equivalent estimates	= (5) * (6)	based on 5Y-avg historic ARC (as per ABAC DWH BO report on corrective capacity): (X,X%), but adjusted to be the best conservative estimate for the current MFF ^{2, 3}	= (5) * (8)	= (7) - (9)
EMFF	672,0	(90,5)	(25,3)	556,3	1,57%	8,7	0,00%	-	8,7
EFF/FIFG	23,6	-	140,0	163,6	0,92%	1,5	0,00%	-	1,5
Sustainable Fisheries Partnership Agreements	92,5	-	-	92,5	0,00%	-	0,00%	-	-
Procurement and Grants	32,9	(18,0)	7,1	22,0	0,50%	0,1	0,21%	0,05	0,1
Other Expenditure	11,2	(0,0)	1,1	12,3	0,50%	0,1	0,02%	0,0	0,1
EFCA Agency	16,8	(16,8)	16,9	16,9	0,50%	0,1	0,00%	-	0,1
Overall, total	849,0	(125,3)	139,7	863,5		10,5		0,0	10,4
						1,22%		0,01%	1,21%
						= X mEUR; and a% of (5)		= Y mEUR; and b% of (5)	= Z mEUR; and c% of (5)

¹ The amounts of the retentions made, released and deductions for the EMFF are detailed in Annex 10.

² Average recoveries and corrections for EFF/FIFG and EMFF are set at 0% since no future financial corrections are expected on the relevant expenditure 2018 (Error rates do not exceed 2%).

³ Average recoveries and corrections for Procurement and Grants and Other Expenditure are based on the 5Y-avg historic ARC.

Notes to the table

(1) Differentiated for the relevant portfolio segments at a level which is lower than the DG total

(2) Payments made or equivalent, such as after the expenditure is registered in the Commission's accounting system, after the expenditure is accepted or after the pre-financing is cleared. In any case, this means after the preventive (ex-ante) control measures have already been implemented earlier in the cycle. In all cases of Co-Delegations (Internal Rules Article 3), the "payments made" are covered by the Delegated DGs. In the case of Cross-SubDelegations (Internal Rules Article 12), they remain with the Delegating DGs.

(3) New pre-financing actually paid out by the department itself during the financial year (i.e. excluding any pre-financing received as transfer from another department). The "Pre-financing" is covered as in the context of note 2.5.1 to the Commission (provisional) annual accounts (i.e. excluding the "Other advances to Member States" (note 2.5.2) which is covered on a pure payment-made basis).

"Pre-financings paid/cleared" are always covered by the Delegated DGs, even in the case of Cross-SubDelegations.

* For the EMFF, the (10%) retention made.

(4) Pre-financing actually having been cleared during the financial year (i.e. their 'delta' in FY 'actuals', not their 'cut-off' based estimated 'consumption').

* For the EMFF, the retention which is now released or (partially) withheld by the Commission.

(5) For the purpose of equivalence with the ECA's scope of the EC funds with potential exposure to L&R errors (see *the ECA's 2017 AR methodological Annex 1.1 point 15*), also our concept of "relevant expenditure" includes the payments made, subtracts the new pre-financing paid out & adds the retentions made, and adds the previous pre-financing actually cleared & subtracts the retentions released and those (partially) withheld; and any deductions of expenditure made by MS in the annual accounts during the FY. This is a separate and 'hybrid' concept, intentionally combining elements from the budgetary accounting and from the general ledger accounting.

(6) In order to calculate the weighted Average Error Rate (AER) for the total relevant expenditure in the reporting year, the detected error rates have been used – or equivalent. *Residual total error rate (RTER) for the EMFF and residual risk rate (RRR) for the EFF/FIFG*. For types of low-risk expenditure with indications that the equivalent error rate might be close to 'zero' (e.g. *administrative expenditure, operating subsidies to agencies*), it is recommended to use 0,5% nevertheless as a conservative estimate.

(8) Even though to some extent based on the 7 years historic Average of Recoveries and financial Corrections (ARC), which is the best available indication of the corrective capacity of the ex-post control systems implemented by the DG over the past years, the AOD has adjusted this historic average based on the 5 years historic ARC and the specificities of the underlying relevant expenditure (see table X footnotes No. 2 and 3).

(10) For some programmes with no set *closure* point (e.g. EAGF) and for some multiannual programmes for which corrections are still possible afterwards (e.g. EAFRD and ESIF), all corrections that remain possible are considered for this estimate.

(ii) Fraud prevention, detection and correction

DG MARE has developed and implemented a joint anti-fraud strategy (JAFS) together with DG REGIO and DG EMPL. It was elaborated on the basis of the Commission anti-fraud strategy (CAFS) and a methodology provided by OLAF. The final version of the JAFS was adopted in 2015 for the 2015 - 2020 period. The strategy foresees a possibility to be updated annually, if necessary. The implementation of JAFS is being monitored twice a year with reporting to management (bi-annual report on audit matters to Commissioner).

The JAFS covers the whole anti-fraud cycle: prevention, detection, investigation and corrective measures. It seeks to reinforce existing measures which are in place for the purpose of protection of the financial interests of the Union, by providing support to Member States in their anti-fraud efforts and strengthening the capacity of DGs to deal with fraud, as well as intensifying cooperation with OLAF. The controls aimed at preventing and detecting fraud are not essentially unlike those intended to ensure the legality and regularity of the transactions.

The JAFS update was foreseen once the designation exercises would be completed and the results of a study on anti-fraud measures taken by Member States available. Since the results of the study came out only in September and as OLAF initiated in December an update of the CAFS, it was premature to initiate JAFS update in the course of 2018. Accordingly, the JAFS will be updated in 2019.

The current JAFS foresees one priority action for DG MARE – assessment of the implementation by Member States of the provisions of Art. 125.4.c of the CPR on anti-fraud measures. The assessment was initially carried out during the review of the designation packages and was further verified during the Early Preventive System Audits in the Member States, with particular attention to the anti-fraud risk assessment and measures. These audits were finalised in eleven out of the twelve Member States selected for such audit assignments. In addition, in November 2018 DG MARE organised an anti-fraud awareness seminar (together with OLAF) for auditors and desk officers.

OLAF informs DG MARE regularly on their investigations. Once a year the monitoring tables of OLAF and DG MARE are reconciled to ensure that no cases are omitted and all cases are properly followed up. From the four cases with open financial recommendations, one is in contradictory procedure, in two the pre-information letter has been sent to the Member State, and one is to be implemented with the OP closure.

In 2018 OLAF opened one new investigation concerning EFF. As of December 2018 there was thus in total one on-going OLAF investigation concerning fisheries, reported to OLAF by DG MARE. Additional three cases were sent to the Selection and Review Unit in OLAF for consideration. Thus the number of cases regarding DG MARE beneficiaries and the expenditure it manages is relatively low.

Substantial work has been done implementing strengthened rules on the avoidance of conflicts of interest in shared management (Article 61 of the Financial Regulation 2018, in force since 2 August 2018). Member States' authorities responsible for managing and auditing EU funds have received guidance during meetings held in November and December 2018. All Member States have been contacted to raise awareness on the new provisions and to gather information on the procedures and controls in place. Member States have been asked about the measures they have taken to ensure respect of the revised rules. In continuation of these activities, a conference on 10 April 2019 will bring

together Member States authorities and the European Commission to discuss measures taken to deal with conflicts of interest, and to exchange best practices.

The Commission is also following up specific allegations of conflicts of interest.

In view of the above elements, DG MARE concludes that its anti-fraud controls are effective.

2.1.1.2 Efficiency

The principle of efficiency concerns the best relationship between resources employed and results achieved. This section outlines the indicators used to monitor the efficiency of the relevant control systems. In DG MARE this mainly refers to "time-to" indicators which are compared over time.

One indicator is defined for all relevant control systems, namely the time-to-pay. In 2018, the average net payment delay of DG MARE was 21 days (2017: 22 days) with 96% (2017: 95%) of payments being made within the legal time limits.

In addition, the specific efficiency indicators per management mode are presented below.

2.1.1.2.1 Shared Management

For shared management, efficiency indicators are defined as a relationship between the resources utilised in DG MARE to meet the deadlines laid down in the Regulation (EU) No 1303/2013.

Processing of payment applications within legal deadlines

The average net payment delay was 27 days (2017: 33 days) with 95% (2017: 97%) of payments being made within the legal time limits.

Timely assessment of the elements received from the MS throughout the control cycle

By 15 February 2018, full assurance packages were received from 10 Member States and by 1 March 2018 another two assurance packages were submitted to DG MARE. All accounts were accepted within the regulatory deadline 31 May 2018, in accordance with Article 84 of Regulation (EU) No 1303/2013. Furthermore, all legality and regularity assessments, although not subject to regulatory deadlines, were analysed within the deadlines set in the internal procedures (1st June 2018).

In addition, designation packages of two Member States were received and analysed within the deadlines set in Article 124 (3) and (4) of Regulation (EU) No 1303/2013.

Throughout the reporting year, a total of 48 national audit reports were received. There is no regulatory deadline for the analysis of these reports but DG MARE's internal procedure foresees in principle a feedback to the Member States within three months. For 38 of the reports received the analysis was finalised within the 3 months time period, for 5 the analysis was concluded later, while for the remaining 5, received at the end of the reporting year, analysis is ongoing. Overall, the average response time is 53 days for system audit reports which is considered timely.

All audit strategies received from Member States in preparation of the annual coordination meetings were reviewed in a timely manner for the discussion, with the national audit authorities during the respective meetings.

Mitigating and corrective actions taken as necessary

In 2018, two issues needed corrective actions in order to address the risks identified as regards the assurance for the EMFF. In both cases, namely Denmark and Croatia, immediate actions in the form of payment interruptions were taken.

Delivery of audit reports within legal deadlines

In 2018, DG MARE issued 20 audit reports. All but two were delivered in due time, i.e. within the 3 month period following the audit fieldwork. Of the remaining two, one was overdue by 2 days and the other one by 10 days. DG MARE has enhanced the monitoring of the deadlines in order to avoid similar situations in the future.

Since the reporting year was the first to apply the full control cycle to a considerable number of Member States, DG MARE will only be in a position to report on the evolution of these indicators in future AARs.

2.1.1.2.2 Direct management

Direct managed expenditure in DG MARE is characterised by the presence of an extensive regulatory framework which cannot be curtailed.

Financial circuits have been established adapted to the risks associated. Where required or necessary, additional control systems have been established to mitigate the underlying risks.

In 2018, for all direct managed payments, the average payment delay was 19 days (2017: 21 days) with 96% (2017: 95%) of payments being made within the legal time limits.

Sustainable Fisheries Partnership Agreements

In 2018, the Commission continued to closely follow the efficiency of the EU partnership with the third countries in strengthening their fishery sector, in particular with reference to the utilisation of the resources targeted for the sectoral support in each SFPA.

In particular, the amounts earmarked for sectoral support were negotiated on the basis of, on the one hand, the needs of the third countries concerned in terms of fisheries governance, and, on the other hand, their absorption capacity as it could be evaluated in the light of the levels of implementation achieved under the previous protocol.

The level of the financial contribution is based on two elements: the economic evaluation of the access by Community vessels to third country waters and fisheries resources, and the needs expressed by the partner country for supporting the implementation of a sustainable fisheries policy in its waters. A specific envelope of the financial contribution under the agreement is set aside to support the sectoral fisheries policy in the partner country.

The main risks are:

- in terms of sound financial management (the financial contribution is set at a level that does not reflect real fishing possibilities or fishing possibilities that are or will be fully utilised by EU ship owners); or

- in terms of political coherence (the agreements are negotiated, concluded and implemented without taking sufficiently into account the other external policies of the EU or are not fully consistent with the principles guiding the management of the Common Fisheries Policy within EU waters).

To address the **first risk**, i.e. that the financial contribution under a SFPA does not provide sufficient added value in economic terms to the Union, the Commission implements a strict policy before and during the negotiations. These are conducted on the basis of an ex-ante evaluation and an analysis of the impact of the future protocol on sustainability. The results of these evaluations are shared with the stakeholders within the Union and the partner country.

During the negotiations with the third country, there are continuous consultations with Member States with fleets interested in fishing in the EEZ concerned and the Presidency of the Council. These help to fine tune the establishment of the fishing possibilities in line with future use for the duration of the protocol.

Furthermore, the agreements provide mechanisms for renegotiation which may be triggered in the event that the EU fleet does not avail itself of the fishing opportunities offered under the agreement. This provides an effective means of control to address the principal risk associated with the agreements. The actual take-up of fishing opportunities is monitored by the Commission on a regular basis. In order to evaluate whether the take-up is in line with what is foreseen under the agreement, the evaluation examines the situation over a number of years.

During the lifetime of a SFPA and its protocols, a number of key requirements are monitored on an ongoing basis. For the most important agreements, dedicated staff has been allocated to the EU Delegations responsible for the countries concerned. The monitoring covers both the assessment of the implementation of the agreement and protocol, including the fishing activity of the EU vessels, as well as the implementation of agreed national sectoral programmes.

The Commission is monitoring regularly the state of implementation of financial resources allocated to sectoral support to the benefit of SFPA partner countries. In this regard, fisheries Attachés in EU Delegations monitor the achievement of agreed targets on the basis of indicators which are defined in Joint Committees. If need be, the disbursement of EU fund is suspended until efficient use of the funds is demonstrated by the partner countries.

Ex-post and ex-ante evaluations were finalised for each protocol renewal.

In all these negotiations the fishing possibilities agreed were in line with recent trends in utilisation by the EU fleet, and took into account the best available scientific advice.

With regard to the **second risk**, a specific effort has been made to enhance policy coherence between the CFP and development policy in order to address potential criticisms of lack of coherence between the various aspects of the external policies of the EU. This was reflected in particular by the inclusion of a specific Human rights clause in every new protocol negotiated since 2010.

Procurement and Grants

In accordance with the financial circuits established in MARE, transactions are subject to an ex-ante financial verification. Except for payments below €5.000 representing low risk, this ex-ante financial verification is carried out by the

central Financial unit in MARE. All invoices and cost claims are verified by the Operational Unit against the contract and agreement. In addition, for all the contributions to international organisations, the disbursement of funds takes place after the conclusion of a Pillar Assessed Grant and Delegation Agreement (PAGODA agreement) with the beneficiary.

An additional ex ante verification is carried out on each grant and procurement procedure, at various stages of the calls.

The results of the efficiency indicators relating to procurement and grants were the following: in 2018 the average payment delay was 20 days (2017: 22 days) with 97% (2017: 97%) of payments being made within the legal time limits.

In 2018, DG MARE concluded one call for tenders and did not conclude any grants following a call for proposal.

2.1.1.3 Economy

2.1.1.3.1 Shared Management

The costs of controls during the reporting year are summarised as follows:

- Cost of control/financial management of the Commission checks and assessment (as a % of total appropriations) = 0,9%
- No financial corrections resulting from the Commission's supervisory role implemented by the Member States during 2018

DG MARE quantifies the costs of the resources and inputs required for carrying out the controls described in annex 5 and estimates, in so far as possible, their benefits in terms of the amount of errors and irregularities prevented, detected and corrected by these controls.

The costs relate to the annual overall Commission costs. They include:

- costs relating to Commission staff who carry out controls throughout the different design, implementation and monitoring phases; and the Commission ex-ante checks of the periodic expenditure declarations (financial circuits). For the 2014-2020 period, this includes the Commission checks in the designation process (sampling of national designations).
- the assessment by the Commission of MCS in Member States (including the Commission ex-post audits);

The benefits relate partially to the corrections, if any, made by the Member States at the Commission's request following its audit work. In this context, it must be pointed out that financial corrections are not an objective as such. A decreasing level of corrections over the years would not solely result from the quality and/or quantity of controls but could also reflect an improvement in sound financial management of the programme by the Member States. In 2018 there were no financial corrections implemented.

In addition, there are a number of non-quantifiable benefits resulting from the controls operated throughout the various control stages (notably the negotiation procedures of the programmes, which aim to ensure that the financed programmes contributed to the achievement of the policy objectives, the management of the programmes by the operational units of the DG, and the deterrent effect of ex-post controls). At the selection, implementation and monitoring stages, by ensuring compliance with the applicable rules and procedures, it is ensured that the underlying operations are legal and regular.

The cost of the entire control system was 0,9% (2017 – 2,07%) of the payments of the year (2018 payments amounted to €695,7 million, whereas 2017 payments were €320,1 million).

In relation to the cost of controls in Member States, the final report of the study "*New assessment of ESIF administrative costs and burden*" was issued in October 2018. The study concludes that overall there are considerable variations in administrative costs between ESI Funds and types of operational programmes. For the EMFF, the administrative costs are on average €44.200 per million Euro of eligible public funding (4,4%). This is slightly above the average for ESI Funds

(4%), due notably to the significant private expenditure element of the EMFF (20%) which is also subject to controls but which was not taken into account in the study, as well as the relatively small size of the funds. Taking account also of the private element of the EMFF, the percentage of costs of control decreases to 3,5%.

2.1.1.3.2 Direct management

When assessing the costs and benefits of controls under direct management similar considerations apply as those set out for shared management.

Sustainable Fisheries Partnership Agreements

Payments relating to Sustainable Fisheries Partnership Agreements made during the year totalled €92,5 million, equivalent to 11% of all amounts paid by the DG.

For SFPAs, most payments relate to access to third country waters. Controls ensure that the payments are in compliance with the provisions of international agreements. For sectoral support, the related controls monitor the implementation of that support. The monitoring is carried out by Commission staff in the delegations, as well as during Monitoring Committee and Scientific Committee meetings. Based on a multiannual agreed programming matrix, if progress is insufficient, the next sectorial support payment is suspended or reduced.

The following table provides an estimate of the costs of controls relating to Sustainable Fisheries Partnership Agreements:

Stage	Annual indicator	Indicator
Overall indicator	overall cost of control/amounts paid	1,8%
Programming, evaluation and selection	related cost of control/value contracted	0,8%
Contracting, monitoring of execution, payments	related cost of control/amount paid	1,1%

At 1,8%, the overall indicator is slightly higher than that of 2017 (1,2%), which can be explained by the fact that only 9 protocols were in force, entailing a lower overall level of payments and more negotiating activity.

As regards the benefits of the controls carried out, these are obviously very difficult to quantify in monetary terms, but ultimately the intention is to ensure that the financial contribution paid from the EU budget represents a fair balance between the access to third country waters and the positive returns for the EU.

Procurement and Grants

DG MARE has, to the extent possible, produced an estimation of the costs of the main control processes relating to procurement and grants. The following table provides an estimate of these costs:

Stage	Annual indicator	Indicator
Overall indicator	overall cost of control/amounts paid	8,7%
Programming, evaluation and selection	related cost of control/value contracted	1,6%
Contracting, monitoring of execution, payments	related cost of control/amount paid	4,3%
Supervisory measures including audits	related cost of control/amount verified	0,7%

Since a quantitative estimation of the value of errors prevented and detected is not available, it is not possible to quantify the related benefits, other than the amounts recovered as a result of these controls. In consequence, it is not possible to quantify the overall cost-effectiveness of controls by comparing costs with quantifiable benefits.

The benefits of control in non-financial terms cover: better value for money, deterrents efficiency gains, system improvements and, as mentioned above, compliance with regulatory provisions.

To reach an overall conclusion as to the relative efficiency of the controls for procurement and grants, it is necessary to analyse the evolution of these efficiency indicators over time and/or to compare them with relevant benchmarks.

For 2018 the cost of controls for procurement and grants has been estimated at 8,7% of the payments made during the year, which is below the cost of controls identified in 2017 (11,6%). In absolute terms, the cost of controls remained stable compared to 2018. This is the result of the simplification measures implemented during 2017-2018 and the ensuing efficient budget implementation.

2.1.1.4 Conclusion on the cost-effectiveness of controls

Based on the most relevant key indicators and control results, DG MARE has assessed the effectiveness, efficiency and economy of the control system and reached a positive conclusion on the cost-effectiveness of controls.

2.1.1.4.1 Shared Management

The average residual errors rates for both EMFF and EFF are below materiality. In addition, for the EMFF the retention of 10% from each of the interim payments made by the Commission protects the EU budget. For the EFF, the final payment claims have been interrupted until the identification for each individual operational programme of the final balance to be paid or recovered.

The assurance elements; in particular, assurance packages and national and EU audit reports, were processed in a timely manner and mitigating and corrective actions were taken as necessary. Furthermore, Member States were timely reimbursed.

The costs of controls of the Commission and the Member States have been analysed and are in line with the principle of economy. In addition, the benefits of the controls in place are demonstrated by an increased level of assurance through improvements in the MCS and interruption of payment requests for unreliable systems. DG MARE therefore considers that the necessity of these controls is undeniable, as the totality of the appropriations would be at risk were they not in place.

In light of the above, the control strategy applied by DG MARE during the reporting year for the management of the budget appropriations for shared management is considered being the best suited to fulfil the control objectives efficiently and at a reasonable cost.

2.1.1.4.2 Direct management

For SPFAs, and procurement and grants, the control procedures stem to a large degree from regulatory requirements, which cannot be curtailed. In the absence of any significant weakness detected which could have a material impact as regards the legality and regularity of the financial operations, it is concluded that the relevant control objective of effectiveness has been achieved.

Moreover, all efficiency indicators have improved in 2018, which is the result, inter alia, of DG MARE further streamlining and optimising its financial management through a number of measures in 2017 and 2018.

These measures related to the further centralisation of financial initiation and authorisation for those transactions where no specific decentralised expertise is required and a new simplified circuit for low risk payments. In 2018, the Directorate-General fully rolled out the electronic workflows for its financial management, notably by implementing the Commission's existing corporate IT solutions, i.e. Ares, e-procurement and Advanced Getaway for Meetings (AGM) in 2018.

As a result, the higher level of funds managed together with the fact that the cost of controls has remained stable indicates that the control resources have been allocated in a more efficient manner, MARE can consequently conclude that the

applied control strategy adequately and efficiently fulfilled its control objective.

2.1.2 Audit observations and recommendations

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

Conclusion of the Internal Auditor on the state of internal control in DG MARE

Based on all work undertaken by the IAS in the period 2016-2018⁹⁷, namely,

- Audit on the early implementation of the ESIF control strategy 2014-2020 (2016)
- Audit on the effectiveness of simplification measures under 2014-2020 ESI Funds (2016)
- Audit on amendments of 2014-2020 OPs in DGs REGIO, EMPL, and MARE (2017)
- Audit on closure of the 2007-2013 EFF OPs in DG MARE (2018)
- Review of the annual assurance packages by DGs REGIO, EMPL and MARE (2018)

and taking into account that:

- Management has accepted all the recommendations issued in 2016-2018;
- Management has adopted action plans to implement all the accepted recommendations. The IAS considers that these action plans are adequate to address the residual risks identified by the auditors;
- The implementation of these action plans is monitored through reports by management and follow-up audits by the IAS;
- Management has assessed a number of action plans as implemented which have not yet been followed up by the IAS.

The IAS concludes that the internal control systems in place for the audited processes are effective, except for the two observations giving rise to the 'very important' recommendations as explained below. These recommendations are being addressed, in line with the agreed action plans and DG MARE considers the issues pertaining to its remit implemented, as set out below. The DGs control systems are not affected by new or overdue very important recommendations.

⁹⁷ Final audit reports issued in the period 01/02/2016 – 31/01/2019.

In 2018, two IAS audits were successfully closed. Notably, the 2017 audit on amendments of 2014-2020 Operational Programmes (DGs REGIO, EMPL and MARE) and the 2017 audit on the closure of the 2007-2013 OP's in DG MARE.

For **the audit on amendments of 2014-2020 Operational Programmes**, DG MARE updated its internal guidance by providing further explanations/clarifications on the upstream work that needs to be carried out by desk officers as part of the OP amendment process. In addition, the legislative proposal (Article 19 of the Common Provisions Regulation) provides for six months for the approval of an OP amendment following its submission by a member state (instead of the current timeframe of three months), therefore fully addressing the IAS recommendation. Moreover, the desk officers received specific training on key areas of the amendment process.

For **the audit on the closure of the 2007-2013 European Fisheries Fund (EFF) Operational Programmes (OPs) in DG MARE**, the objective was to assess the design and implementation of the controls put in place by DG MARE to ensure the effective closure of the 2007-2013 EFF OPs. The IAS reported that no important findings were identified during the course of its work. Consequently, it concluded that DG MARE's strategy for the closure of the 2007-2013 EFF OPs was effectively designed and implemented.

The audit on the review of annual assurance packages led to important recommendations only, which will be addressed in line with the action plan set. As regards DG MARE, this audit covers two areas, namely the DGs' review of the annual Assurance Packages for the purpose of the acceptance of the accounts (Part 1) and for the examination of the Legality and Regularity aspects (Part 2).

The audit on early implementation of the ESIF control strategy 2014-2020 in DGs REGIO, EMPL and MARE, concerns the 'Implementation' of the ESIF control strategy 2014-2020 in the early stages and more importantly, recommendation nr.10: *Audits on Financial Instruments (FI)* (original due date: 30/06/2018 – updated target date: 31/12/2019). An Enquiry Planning Memorandum (EPM) on Financial Instruments has been developed together with the other DGs and presented to the audit authorities. Audits will follow. The moderate uptake so far of FI under the EMFF limits the impact on MARE's internal control system. DG MARE considers that the issues pertaining to its remit have been addressed.

For **the audit on effectiveness of simplification measures under 2014-2020 ESI Funds in DG EMPL, REGIO and MARE**, notably recommendation nr.1: *Uptake and impact of simplification measures and the DGs' processes to promote and monitor these measures* (Original due date: 31/12/2018 – updated target date: 30/06/2019), DG MARE considers the issues pertaining to its remit as implemented. For the 2014-2020 period efforts are continuing to further remove obstacles hindering the implementation of simplification measures for the issues pertaining to its remit. Guidance on Simplified Cost Options (SCOs) via seminars, workshops and training sessions, followed the formal adoption of the Omnibus Regulation. DG MARE supports the objective of enhancing the uptake and impact of simplification measures in MS, but is of the opinion that the limited uptake of SCOs, under the EMFF, has a reduced impact on its internal control systems.

Audit work of the European Court of Auditors in 2018

2017 Annual Report

The 2017 Annual Report of the European Court of Auditors was published on 4 October 2018. No specific issues were identified for DG MARE.

DG MARE is mainly concerned by Chapter 7 'Natural Resources' of the Court's Annual Report. None of the three MARE transactions sampled gave rise to any findings.

DG MARE's AAR was found to have been prepared in line with the DG BUDG instructions; the methods used to calculate the error rates did not raise any observations.

The Court confirms the full implementation of the last open recommendation⁹⁸ from its Special Report 10/2014 on the effectiveness of EFF support for aquaculture. The Annual Report refers to the Court's recommendations made in its Special Report 8/2017 on EU fisheries control.

Previous Annual Reports

The open findings of the Court, stemming from previous Annual Reports, are being closely followed-up by DG MARE.

2014 Annual Report

The Court's report identified three areas in which the Commission was called upon to ensure that the Italian audit authority carries out tasks more thoroughly; namely performing the required on-the-spot controls, applying quality control procedures and improving audit documentation. This recommendation will be closed once the Commission has sufficient assurance that for the EFF (under closure) all necessary financial corrections have been made and that for the EMFF adequate procedures are in place with respect to the shortcomings reported by the Court.

As regards the insufficient checks of the Italian authorities on the activity of vessels prior to payment of a permanent cessation ("scrapping") premium, a 10% financial correction will be proposed at closure.

2015 Annual Report

The recommendations from the Court's 2015 Annual Report on compliance of the Commissions' conformity audits with international auditing standards can be considered fully implemented, with the exception of possible additional corrections for Romania, which are followed up in the context of the EFF closure.

Follow-up of Special Reports

Special Report 11/2015 on the Fisheries Partnership Agreements

The Court considers that nine out of the eleven recommendations addressed to the Commission are fully implemented. Two recommendations (on regional

⁹⁸ Improve comparability of statistical data on aquaculture compiled from its different sources.

strategies⁹⁹ and the licensing process¹⁰⁰) are partially implemented.

Special Report 8/2017 "EU fisheries controls: more efforts needed"

The implementation of the Court's open recommendation and the related resolution from the European Parliament is ongoing. Both ask the Commission to establish an information exchange platform to be used by the Member States to send validated data in standard formats and content so that the information available to the Commission services matches with data from the Member States.

The setting up of the exchange system is ongoing with the FLUX Transportation Layer project (FLUX TL) which is fully operational at the Commission side and in 20 out of the 23 Member States concerned. In parallel, standardized data formats (FLUX standards) have been developed. Data exchanges in the standardized data formats for fishing activity (logbook/landing declarations), for sales data, vessel position (VMS) and aggregated catch data (ACDR) are either in place or progressing well in most Member States. The implementation of standardized formats for information on the fleet (fleet register) is finalised. The developments for fishing authorisations (LICENCE) and inspection report standards can be expected in 2019 or 2020. Also the validation systems have to be further developed. The project is likely to be finalised by the end of 2020.

Special Report 23/2018 "Air pollution: our health still insufficiently protected"

DG MARE has been associated to 7 recommendations¹⁰¹. The implementation of the Court's recommendations is ongoing.

Overall conclusion

As a result of the assessment of the risks underlying the auditors' observations, together with the management measures taken in response, the management of DG MARE believes that the recommendations issued do not raise any assurance implications and are being implemented as part of the on-going continuous efforts in terms of further improvements.

⁹⁹ 1(b) To define regional strategies for the development of fisheries governance.

¹⁰⁰ 2(a) To establish procedures to monitor each of the steps in the licensing process.

¹⁰¹ 2018/AUD/0165 to 2018/AUD/0171.

2.1.3 Assessment of the effectiveness of the internal control systems

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

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

It annually assesses the effectiveness of its key internal control systems, including the processes carried out by implementing bodies in accordance with the applicable Commission guidance and updated requirements. The assessment relies on a number of monitoring measures and sources of information including a survey-based management self-assessment; interviews with staff, AOSD management reports, reported instances of exceptions, non-compliance events and internal control weaknesses; relevant audit findings; and the risk assessment process.

Based on the end-of-the-year assessment carried out, no weaknesses were identified which could seriously affect DG MARE compliance in 2018 with any of the characteristics associated with the internal control principles.

Through a wide range of management actions DG MARE has reinforced the internal control system and enhanced the effectiveness of numerous Internal Control principles (ICPs).

In particular, the following ICPs have been enhanced: demonstrating commitment to integrity and ethical values (ICP1), Exercising oversight responsibility (ICP2), Establishing structure, authority and responsibilities (ICP3), Selecting and developing control activities (ICP10), Selecting and developing general control over technology (ICP11), Internal Communication (ICP14) and External Communication (ICP15).

In line with the action plans, MARE has already addressed those very important audit recommendations which are most significant for the Directorate General¹⁰² (see also section 2.1.2). In this respect, MARE's assessment is that the very limited residual risk related to the open recommendations does not affect any of the internal control principles or components and therefore does not have an impact on assurance.

DG MARE has assessed its internal control system during the reporting year and has concluded that it is effective and that the components and principles are present and functioning as intended.

In addition, on the principle 4, even though it is present and functioning overall, some improvements are needed as some minor deficiencies were identified related to staff allocation.

¹⁰² The audits in question are multi-DG audits with recommendations common to DGs other than DG MARE

2.1.4 Conclusions on the impact as regards assurance

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

The information reported in Section 2 stems from the results of management and auditor monitoring contained in the reports listed. These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a comprehensive coverage of the budget delegated to the Director-General of DG MARE. The report has been prepared with the objective of providing the reader with the fullest possible reliable information and does not knowingly contain any material inaccuracy or omission.

European Fisheries Fund and European Maritime and Fisheries Fund expenditure is implemented under **shared management** through comprehensive management and control systems which are designed to ensure the legality and regularity of transactions at the level of the beneficiaries. The multi-layered approach taken by DG MARE shows that evidence can be drawn from different sources in order to provide the basis for an assessment. As a general rule, these various sources of evidence corroborate and complement each other and enable conclusions to be drawn.

For the 2007-2013 programming period, 26 closure declarations received could be accepted with or without the need for additional financial corrections at closure and the analysis is ongoing for 1 programme; the final payment claims remain interrupted until the closure documents can finally be accepted. The estimated risk linked to the 2018 relevant expenditure is 0,92% and thus below materiality. DG MARE maintains 1 programme under reservation (non-quantified), in accordance with Annex 4.

For the 2014-2020 programming period, €148,6 million was paid in pre-financing, which is risk-free. €523,4 million was paid in interim payments to 24 Member States. The reportable residual total error rates did not exceed 2% and the overall amount at risk for the 2018 payments is 1,57% and thus below materiality.

For the activities under **direct management**, the information (covering internal control, internal audit opinion, ex-ante and ex-post controls) is considered as complete and reliable for the purposes of the declaration of assurance. No material deficiencies were identified affecting the expenditure paid in 2018.

DG MARE has in place a **joint anti-fraud strategy**, together with DG REGIO and DG EMPL, and is regularly following up on OLAF investigations.

Looking at **efficiency and economy of controls**, the main benefits are largely non-quantifiable, in particular as regards shared management where they are demonstrated by an increased level of assurance through improvements in the Member States management and control systems. Similarly, the benefits under direct management are mainly related to improved value for money and system improvements. The costs of controls remained stable compared to 2018. Due to a more efficient allocation of resources DG MARE's control objective was met.

As regards **indirect management**, a number of reporting and supervising arrangements allow DG MARE to exercise its supervisory role including through its participation at different levels of governance within the EFCA agency, from the Administrative Board to the Joint Deployment Plans.

The assessment of the risks underlying the recommendations issued by **auditors' observations**, together with the management measures taken in response, do not raise any assurance implications. DG MARE can conclude that the **internal control framework** in place functions effectively and **reporting** is reliable.

Overall, the resources for which DG MARE was responsible in 2018 have been managed for their intended purpose and in accordance with the applicable legislation and the Financial Regulation and in particular in accordance with the principles of sound financial management. In addition, the control framework yielded the necessary assurance with respect to legality and regularity of the funds spent.

The maintaining of a reservation (without financial impact) for EFF expenditure does not prevent the Director General from giving reasonable assurance on the use of the resources assigned to the Policy Area as a whole in 2018.

Overall Conclusion

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

2018 AAR - DG MARE overall conclusion table				
Budget Activity	Effectiveness	Efficiency	Economy	Independent information from auditors
EMFF	✓	✓	✓	✓
EFF/FIFG	✓*	✓	✓	✓
SFPAs	✓	✓	✓	✓
Procurement and Grants	✓	✓	✓	✓
Other expenditure	✓	✓	✓	✓
EFCA	✓	✓	✓	✓
Overall	✓	✓	✓	✓

✓ Positive assessment

* One reservation (non-quantified) is maintained for the EFF

2.1.5 Declaration of Assurance and reservation

DECLARATION OF ASSURANCE

I, the undersigned, João Aguiar Machado

Director-General of DG Maritime Affairs and Fisheries

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view¹⁰³.

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

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex-post controls, the work of the Internal Audit Service and the lessons learnt from the reports of the Court of Auditors for years prior to the year of this declaration.

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

However the following reservation should be noted:

- A reservation with no financial impact concerning the European Fisheries Fund management and control systems in 1 Member State.*

Brussels, 24 April 2019

[signed]

João Aguiar Machado

¹⁰³ True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG.

Reservation

DG	Maritime Affairs and Fisheries
Title of the reservation, including its scope	<u>Reservation concerning the EFF management and control systems (2007-2013 programming period)</u> Reservation concerning the management and control systems for EFF programme maintained from AAR 2017 for the following Member State: Italy.
Domain	Shared management – EFF
Programme in which the reservation is made and total (annual) amount of this programme	11 06 12; 11 06 13 – European Fisheries Fund: no payments were made in 2018 relating to this OP: N/A, see under "quantification" below.
Reason for the reservation	High (>5%) total projected error rates reported for this OP for expenditure 2015/2016, due to system weaknesses and unfinished audit work. The related assessment of DG MARE is ongoing.
Materiality criterion/criteria	Significant additional financial corrections may be required at closure.
Quantification of the impact (= actual "exposure")	N/A: There is no actual exposure for the reporting year, since there is no relevant expenditure amount in 2018 relating to this OP. The final balance (payment or recovery) will be established once the assessment of the closure documents is finalised and the closure declaration and the final implementation report are accepted, in accordance with Article 86(4) of the EFF Regulation.
Impact on the assurance	The weakness affects the legality and regularity of the relevant expenditure concerned. The financial impact is managed through the safeguard measures taken by the Commission. Corrective measures will take the form of financial corrections at closure, as necessary.
Responsibility for the weakness	The expenditure concerned is under shared management, for which the Member State is primarily responsible for implementing the corrective actions. The Commission supervises the national authorities in this respect. If adequate actions are not implemented the Commission will then launch the financial correction procedures foreseen under Articles 97 and 98 of Council Regulation No 1198/2006.
Responsibility for the corrective action	<u>At Commission and Member State's level:</u> Application of financial corrections at closure, as necessary.

2.2 Other organisational management dimensions

DG MARE is fully committed to achieving the mandatory objectives set at corporate level in the area of organisational management, i.e. Human resource management, Better regulation, Information management and External communication.

In 2018, DG MARE continued to aim at the effective and efficient delivery of the political priorities. The reorganisation of DG MARE to better align the DG's resources with the Commission's political priorities entered into force on 1 January 2017. In its Human resources policies and in the reorganisation in particular, DG MARE pays particular attention to the efficient use of resources and to the wellbeing and the engagement of staff.

Several initiatives were undertaken in 2018 in order to improve economy and efficiency of financial and non-financial activities of DG MARE:

A. Reorganisation of DG MARE¹⁰⁴

With the aim of enhancing delivery on the political priorities as set out in President Juncker's Guidelines, DG MARE introduced a new organisation chart as from 1 January 2017. This organisation chart is now accompanied by new governance arrangements designed to improve working methods, achieve efficiency gains – in particular regarding priority-setting, financial circuits¹⁰⁵ and secretarial tasks – and improve collaboration between units and directorates. Work on these governance arrangements and efficiency measures continued in 2018.

Collaboration within the DG has also been continuously promoted since the reorganisation, including through project teams, of which 2 were launched in 2018: Oceans 2024, tasked with forward-thinking, and "Climate Change & Oceans". This complements cross-Directorate working groups such as the working groups on Greening DG MARE and on Staff Engagement, Diversity & Inclusion.

B. Synergies and Efficiencies: HR Modernisation Project

The changes in the HR delivery model, implemented as of February 2017, has caused significant challenges to the delivery of HR objectives. It resulted in the decrease of overall human resources available for HR in the DG, change in share of responsibilities between actors involved (HR corporate, Account Management Centre (AMC), MARE HR Business Correspondents Team (HR BC) and increased responsibilities for Heads of Units. Hence, the need to develop new agreements on role and responsibilities, as well as a great number of changes in the HR processes and procedures. By the end of 2018, the pilot phase was still not concluded. In this context, the workload of the MARE HR BC team was very heavy, as well as of managers, on whom a greater number of administrative, in particular recruitment related tasks, have been placed.

DG MARE provided constructive feedback on HR Modernisation at various phases

¹⁰⁴ In January 2016 DG MARE launched a Workload Assessment to assess and rebalance MARE's workload in line with the political priorities. This workload assessment entailed the DG wide mapping of the current processes and resources, identification of imbalances and plotting corrective actions. Based on the results of the Workload Assessment and the subsequent consultation of DG MARE staff, a redesign of DG MARE was decided which came into force as of 1 January 2017. The new organisational design is aligned with the strategic objectives and the new political priorities.

¹⁰⁵ [DG MARE Management Plan 2016, p. 19](#)

of the pilot, and established constructive and collaborative working arrangements between the MARE HR BC team and AMC colleagues as well as with HR corporate. Regular meetings with the AMC took place.

In addition, in order to improve the efficiency of the new HR delivery model, the MARE HR BC joined a cross-DG working group with the mandate to make a substantial contribution to the definition of HR BC tasks and roles. As part of the MARE priority setting exercise in 2018, the MARE HR BC team carried out an analysis of its different recruitment procedures and adopted a set of measures to improve the efficiency of these procedures.

C. Synergies and Efficiencies: review of financial circuits

DG MARE is continuously striving to improve working methods and achieve efficiency gains in particular regarding financial management.

DG MARE has already obtained efficiency gains for the current programming period through the inclusion under shared management of control and data collection expenditure that was previously directly managed by the DG, as well as the externalisation of the implementation of a substantial part of the directly managed expenditure to the Executive Agency for Small and Medium-sized Enterprises (EASME).

Internally, the optimisation of the financial circuits, the introduction of an electronic workflow, further centralisation of financial tasks, as well as the strengthening of collaborative working methods, such as the budget correspondent's network, has started to bear its fruits.

DG MARE also builds upon the implementation of corporate or standard IT applications when possible, with a view to increasing efficiency and reducing financial risks for the processes concerned.

In 2018, DG MARE fully implemented the Advanced Gateways to Meetings (AGM), which is an integrated paperless corporate IT solution for the organisation of meetings (in particular for the management of expert groups and committees). Moreover, DG MARE has pursued the further deployment of the various e-procurement modules, notably the e-invoicing and e-ordering modules. In addition, as of 2019, all open call for tenders will be managed through e-submission.

For an extensive reporting on all components, please refer to Annex 2.