



2015

Annual Activity Report

**Directorate-General
for Internal Market,
Industry,
Entrepreneurship and
Small and Medium-
sized Enterprises**

(DG GROWTH)



Foreword

As of 2015, DG GROWTH was created by merging ex-DG ENTR with parts of ex-DG MARKT and one Unit of ex-DG SANCO. The new DG has a clear mandate over internal market for goods, services and public procurement, industry, entrepreneurship and SMEs.

A second step was taken in June 2015 with a re-organisation of DG GROWTH. The aim was to place the DG in a good position to deliver the political priorities of the Juncker Commission, and provide a solid and stable basis for the day-to-day work of our staff.

The new organisation chart is fully aligned to the mandate of Commissioner Bieńkowska. Through our policies, we have a unique opportunity in the coming years, to:

- ✓ Create a deeper and fairer Single Market for products and services and ensuring that our regulatory framework and enforcement mechanisms are fit for the changes taking place in Europe's economy and the way economic value is generated. We will need to focus on emerging sectors of the economy, further opening of public markets and on the free movement of professionals.*
- ✓ Maintain a high-performing industrial base in Europe by promoting investments into innovation and new technological solutions and providing a growth-friendly framework for Europe's industry and, in particular, SMEs. Links between industry and services, integration in international value chains as well as encouraging company creation and growth will be important priorities.*
- ✓ Realise the potential offered by strategic, highly-competitive areas of Europe's economy, in particular the space and satellite sectors through our flagship programmes Galileo and Copernicus.*
- ✓ Play a central role in the Commission's economic governance (European Semester) and better regulation policies to create a growth-friendly environment for businesses across Europe.*
- ✓ Bring concrete economic benefits and new opportunities to European citizens.*

Lowri Evans

Director-General

List of acronyms

AAR	Annual Activity Report
ABB	Activity Based Budgeting
AFS	Anti-Fraud Strategy
AOD	Authorising Officer by Delegation
CIP	Competitiveness and Innovation Framework Programme (2007-2013)
COSME	EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises
CRAS	Common Research Audit Sample (FP7)
DA	Delegation Agreement
DG	Directorate-General
DG AGRI	DG for Agriculture and Rural Development
DG ENTR	ex-DG for Enterprise and Industry
DG ENV	DG for Environment
DG FISMA	DG for Financial Stability, Financial Services and Capital Markets Union
DG GROWTH	DG for Internal Market, Industry, Entrepreneurship and SMEs
DG HOME	DG for Migration and Home Affairs
DG MARKT	ex-DG for Internal Market and Services
DG SANCO	ex-DG for Health and Consumers
DG RTD	DG for Research and Innovation
DG SANTE	DG for Health and Food Safety
EASME	Executive Agency for Small and Medium-sized Enterprises
ECA	European Court of Auditors
ECHA	European Chemicals Agency
ECMWF	European Centre for Medium-Range Weather Forecasts
EDA	European Defence Agency
EE	Entrusted Entity
EEA	European Environment Agency
EFG	Equity Facility for Growth (Financial Instrument)
EIF	European Investment Fund
EFSI	European Fund for Strategic Investments
EMSA	European Maritime Safety Agency
ESA	European Space Agency
ESO	European standardisation organisations
EU	European Union
Eumetsat	European Organisation for the Exploitation of Meteorological Satellites
Eurofound	European Foundation for the Improvement of Living and Working Conditions
FP6	6 TH Research Framework Programme
FP7	7 TH Research Framework Programme
FR	Financial Regulation
FRONTEX	European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union
FTE	Full Time Equivalent
GMES	Global Monitoring for Environment and Security, which is now the European Earth observation programme Copernicus
GNSS	Global Navigation Satellite System
GSA	GNSS Supervisory Agency
Horizon 2020	Current EU Framework Programme for Research and Innovation
IAC	former Internal Audit Capability of the DG
IAS	Internal Audit Service of the Commission
ICO(s)	Internal Control Objective(s)
ICT	Internal Control Template
KPIs	Key Performance Indicators
LGF	Loan Guarantee Facility (Financial Instrument)
MFF	Multiannual Financial Framework
OECD	Organisation for Economic Co-operation and Development
OLAF	European Anti-Fraud Office
REA	Research Executive Agency
SME(s)	Small and Medium-sized Enterprise(s)

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INTRODUCTION

The DG in brief

Mission of the DG

We aim to develop a deeper and fairer internal market and help European enterprises, in particular SMEs, and manufacturing and services industries, to be globally competitive, innovative and sustainable for the benefit of all EU companies, citizens and consumers.

To achieve this mission, we support the development of:

- ✓ **a deeper and fairer internal market for goods and services through**
 - ensuring a level playing field for enterprises, so that they benefit from opportunities inside Europe;
 - devising smart regulation and policies for a range of industry and service sectors and value chains to create the right framework for enterprises and citizens;
 - effectively enforcing EU internal market rules for the benefit of companies and citizens;
 - promoting the internal market principles internationally;
 - fostering easy access to public procurement worldwide; and
 - fostering free movement of professionals in Europe;
- ✓ **a modern, innovative and sustainable industrial base in Europe through**
 - ensuring that intellectual property rights, standards and regulation are conducive to innovation;
 - supporting the digitalisation of the economy, and in particular, of the European enterprises, and the transformation to smart and clean production including via increased resource efficiency and sustainable supply of raw materials, and
 - developing the high potential sectors of space, satellite navigation, earth monitoring and promising technologies (including key enabling technologies and clusters in emerging industries);
- ✓ **a business-friendly environment to help start-ups emerge and SMEs and enterprises grow, through**
 - making full use of all smart regulation tools;
 - enhancing better access to finance and markets;
 - ensuring a global level playing field and supporting the internationalisation of enterprises, and

- managing EU support programmes, so that they help promote technological and non-technological innovation and entrepreneurship in Europe: COSME, Horizon 2020 (for innovation in SMEs, raw materials, space), Galileo/EGNOS and Copernicus.
- ✓ **a global level playing field through**
 - encouraging regulatory convergence, promoting the internal market principles internationally while preserving them internally, and eliminating technical barriers
 - facilitating access to third country markets and by supporting the internationalisation of enterprises

Environment under which the DG operates

The general environment in which the DG operates, in both executing budget and achieving objectives, is characterised by great variety of public and private stakeholders and entrusted entities involved. As a result, the DG has also to rely on external control systems, which are complainant with respective international standards.

Furthermore and in addition to the inherent risks related to the direct and indirect spending modes, the DG has to take into account other risks related to factors, which could not be necessarily directly influenced by the DG or even would develop despite our efforts made in one or another mitigation direction, e.g.: highly technical aspects of certain activities; non-occurrence of circumstances, which are an underlying assumption for an activity, extraordinary events or circumstances beyond the control of the DG, etc.

As the majority of the DG budget is managed indirectly via entrusted entities, challenges concern mainly the respective supervision of these entities, which support the DG in achieving its objectives.

Another significant challenge is associated to bringing down the error rate in the legacy spending programmes, particularly the Seventh Framework Programme and Competitiveness and Innovation Framework Programme, to an acceptable level and, at the same time, to balance trust and control.

Structure

In line with the organisation established in the Management Plan for 2015 of DG GROWTH, 1 167 establishment posts were assigned to the DG.

The administrative structure of the DG was organised in four main strands, composed of 11 directorates and 47 units, including the units of economic analysis and financial management of Space Programmes.

The first strand covers three directorates:

- Competitiveness and European Semester,
- Single Market Policy, Regulation and Implementation and
- Resources.

The results of the activities under this strand were directly reported to the Director-General.

The second strand, directly reporting to a deputy Director-General, included directorates leading in:

- Industrial Transformation and Advanced Value Chains,

- Consumer, Environmental and Health Technologies and
- Innovation and Advanced Manufacturing.

The third strand, directly reporting to a second deputy Director-General, included directorates leading in:

- Modernisation of the Single Market,
- Single Market for Public Administrations and
- COSME Programme.

The last strand, again directly accountable to a third deputy Director-General, included the Space Programmes directorates:

- Space Policy, Copernicus and Defence and
- EU Satellite Navigation Programmes.

The **accountability chain** established within the DG relies on input from other entities¹ so as to allow the achievement of the DG's policy and operational objectives:

With the **executive agencies**, REA and EASME, the DG steered the implementation of Horizon 2020 and COSME.

Thanks to **decentralised agencies**, the DG controlled the successful implementation of: the regulation on registration, evaluation, authorisation and restriction of chemicals, the European satellite navigation and Copernicus programmes. For the complete list of agencies, the reader is referred to Annex 8.

With the support of **international organisations**, the DG is paving the way for the establishment of a European capacity for Earth Observation, a dedicated satellite navigation system and is monitoring EU programmes and supporting SMEs through dedicated financial instruments. For the complete list of international organisations, the reader is referred to Annex 6.

As a result, the **funds managed directly** by DG GROWTH amount to 6,38 % of the payments executed in 2015. The reader is referred to Annex 3 for the payment execution of the DG for 2015. For the detailed distribution of the payments appropriations in 2015 the reader is referred also to Section 2.

As of 2015, the new DG GROWTH is merged between ex-DG ENTR with parts of ex-DG MARKT and one Unit of ex-DG SANCO. The new DG GROWTH is delivering results in the following domains: internal market for goods, services and public procurement, industry, entrepreneurship and SMEs.² The current DG structure was fine-tuned in June 2015 following a reorganisation, which was designed to allow for better alignment with the overall mandate of the DG GROWTH. This is also part of the continuous efforts for enhancing the management of available resources so to ensure smooth achievement of objectives. It is worth mentioning that DG GROWTH has also a new Director-General since September 2015.

¹ The reader is referred to section 2.1.1.1.

² See also the Mission letter of President Juncker to Commissioner Bieńkowska, available at http://ec.europa.eu/commission/2014-2019/bienkowska_en

Budgetary and financial management in 2015

The budget year 2015 was the second year of the 2014-2020 MFF with the major spending programmes COSME, Galileo, Copernicus and part of Horizon 2020 managed by DG GROWTH getting at speed following finalisation of Delegation Agreements with wide range of entrusted entities in 2014: ESA, EIF, GSA, EEA, EUMETSAT, ECMWF and Mercator-Océan.

Regarding the Commission's prerogative on the operation and development of the Internal Market, the budgets related to goods, services and the internal market information tools were consolidated in DG GROWTH and mainly implemented through procurement contracts for studies and technical assistance.

Despite the organisational challenges for DG GROWTH after the merger of ex-DG MARKT and ex-DG ENTR, the DG together with the executive Agencies EASME and REA, achieved 99,98%³ budget execution in commitments and 99,28%⁴ in payments. The budget management in 2015 was particularly challenging as, following the reorganisation, the DG was working on numerous budget lines shared with other DGs such as DG FISMA, DG HOME and DG SANTE.

With as little as 4,82 % of payments made outside legal deadlines, DG GROWTH achieved a reasonable result.

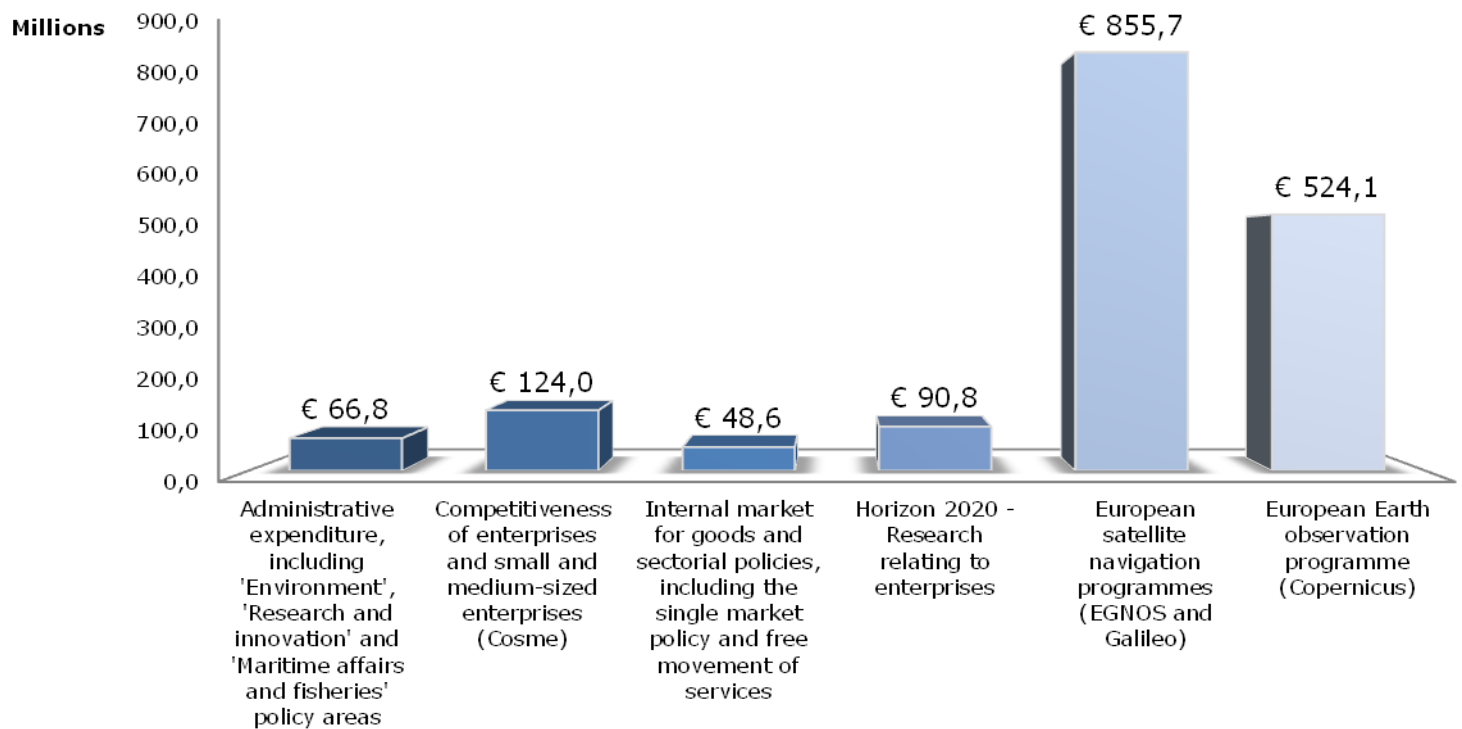
Main overall time-based efficiency indicators for the DG's transactions (all management modes and types of expenditure taken together)	DG results for the reporting year
Time to pay	25 days
Percentage of payments on time	95 % on time
Average days of suspension	36 days
Percentage of payments suspended	15 %

The graph below gives an overview of the payments outturn per Activity Based Budget (ABB) chapter for the 'Enterprise and Industry' policy area, including also the administrative expenditure of 'Environment', 'Research and innovation' and 'Maritime affairs and fisheries' policy areas and the single market policy and free movement of services:

³ Based on the final voted budget appropriations (C1) for the 2015 exercise.

⁴ Based on the final voted budget appropriations (C1) for the 2015 exercise.

Total amount paid in 2015, i.e. € 1,710 billion



EXECUTIVE SUMMARY

The Annual Activity Report is a management report of the Director-General of DG GROWTH to the College of Commissioners. It is the main instrument of management accountability within the Commission and constitutes the basis on which the Commission takes its responsibility for the management of resources by reference to the objectives set in the management plan and the efficiency and effectiveness of internal control systems, including an overall assessment of the costs and benefits of controls.

Policy highlights of the year

In 2015, DG GROWTH was mainly working towards the achievement of two priorities of the Juncker Commission: "A New Boost for Jobs, Growth and Investment" and "A deeper and fairer Internal Market with a strengthened industrial base". DG GROWTH is also involved to other political priorities: Energy Union and Digital Single Market. The DG contributed to achieving these priorities in 2015 as follows:

1) A New Boost for Jobs, Growth and Investment

- *COSME*

The Commission and the EIF signed a delegation agreement in July 2014 which boosts the Financial Instruments bringing more leverage effects for SMEs. As a result, the EIF was enabled to sign additional operations of up to € 150 million in 2015, enabling the mobilisation of up to € 3 billion of funding for SMEs. At the same time, the overall enhancement could reach up to € 500 million in the period from 2015 to 2019, enabling the mobilisation of up to € 10 billion of funding for SMEs.

- *Galileo*

The successful launch of six Galileo satellites over the last nine months of 2015, doubling the number of the satellites launched to date, is a real achievement for Galileo and a significant deployment pace within the satellite navigation world.

Galileo and EGNOS have made it possible to set up a robust EU-wide e-Call in-vehicle system based on the 112 service. As a result in case of an accident, the vehicle automatically transmits its position to a public safety answering point. Thus, the Council and Parliament adopted on 29 April 2015 the e-Call Regulation No. 2015/758 which provides for compatibility of the e-Call in-vehicle system with Galileo and EGNOS.

- *Copernicus*

Copernicus has produced substantial direct benefits for Europe's space industry and this continued in 2015. Currently there are with more than 230 suppliers benefitting from € 530 million in ESA contracts, including 48 SMEs.

Copernicus contributed to enhanced maritime safety and security, monitored the environment and climate change and provided support in emergency and crisis situations. In parallel, the Ground Segments for the reception, processing, distribution and archiving of data have been reinforced, so as to handle effectively the unprecedented amounts of data that the system composed of EU-owned satellites, contributing missions and in-situ data will generate.

2) A deeper and fairer Internal Market with a strengthened industrial base

- *Single Market Package*

In October 2015, the Commission adopted the Single Market Strategy to unlock

the full potential of the Single Market so that citizens, business and public authorities can access goods and services for the best quality and price; entrepreneurs can innovate and expand thanks also to a modernised Intellectual Property framework; new business models can flourish; and retailers find it easy to establish, do business and deliver their products across borders. DG GROWTH is leading the implementation of the measures within the 11 priority areas within the Strategy.

- *Better Regulation*

In 2015 the Commission reaffirmed its commitment to better regulation. It adopted the Better regulation package which foresees that new Commission proposals have to be more evidence-based and be publicly discussed with stakeholders. While these new procedures are more time-consuming they guarantee more transparency and will lead to better law making.

The regulatory fitness programme (REFIT) was reaffirmed in October 2015 in the context of the Commission Work Programme (CWP). DG GROWTH with its commitment to reduce red tape for enterprises and citizens has traditionally been amongst the biggest contributors in this programme.

- *Environmental / consumer protection and security*

During the meeting of the Technical Committee on Motor Vehicles held on 28 October 2015, Member States voted by a large majority on the second package of implementing measures to introduce real driving emissions tests for air pollutant emissions by diesel cars. The issue right now, as the Commission has pointed out, is that laboratory tests do not accurately reflect the amount of air pollution emitted during real driving conditions. That is why the Commission has been working hard to bring light into this area, and has already reformed the way tests should be conducted so they reflect actual emissions in real driving conditions. Now, Member States have agreed that from 1 September 2017 these new real driving emissions (RDE) tests will determine whether a new car model is allowed to be put on the market.

On 18 November, the European Commission adopted a package of measures to make it more difficult to acquire firearms in the European Union, better track legally held firearms, strengthen cooperation between Member States, and ensure that deactivated firearms are rendered inoperable. The proposals presented were foreseen in the European Security Agenda adopted in April 2015, but have been significantly accelerated in light of recent events. The Commission is hereby supporting Member States in their efforts to protect Europe's citizens and prevent criminals and terrorists from accessing weapons.

3) A resilient Energy Union with a forward-looking climate change policy

In a situation of scarcity of resources and volatility of prices, the Commission adopted the Circular Economy Package in December 2015. The idea is to turn waste into opportunities, create new markets (e.g. for organic fertilisers), and boost competitiveness, innovation and job creation in the design, manufacturing, use, repair and recycling of products, and in waste management, in particular for construction and demolition waste. The European Innovation Partnership (EIP) on Raw Materials, managed by DG GROWTH, supports innovation and jobs by creating a multi-stakeholder platform guiding EU policy.

DG GROWTH will work together with other services on an integrated Strategy on Research, Innovation and Competitiveness, which brings together supply, demand and regulatory aspects. This will help to maintain Europe's comparative advantage in low carbon solutions as early mover towards decarbonisation, both in terms of supply and innovation and deployment taking place in Europe.

4) A connected Digital Single Market

Existing online barriers mean citizens miss out on goods and services, internet companies and start-ups have their horizons limited, and businesses and governments cannot fully benefit from digital tools. It is essential to make the single market fit for the digital age – tearing down regulatory walls and moving from 28 national markets to a single one. This could contribute € 415 billion per year to our economy and create hundreds of thousands of new jobs. To achieve this, the Commission adopted the Digital Single Market package in 2015, which calls for the implementation of a number of measures over the coming years. DG GROWTH contributes to its implementation in its area of competence, for example through supporting European standards for Information and Communication Technologies (ICT) and improving the quality and affordability of parcel delivery services across the EU.

Key Performance Indicators (5 KPIs)

Result/ Impact indicator (description)	Target (or milestones)	Latest known results as per Annual Activity Report
Most relevant KPI 1: Number of firms benefiting from debt financing	<p>Milestone for 2017 Value of financing mobilised ranging from € 7,0 billion to € 10,5 billion. Number of firms receiving financing which benefit from guarantees from the programme ranging from 108 000 to 161 000.</p> <p>Target for 2020 Value of financing mobilised ranging from € 14 billion to € 21 billion. Number of firms receiving financing, which benefit from guarantees from the programme, ranging from 220 000 to 330 000 based on COSME Loan Guarantee Facility⁵ targets.</p>	<p>30 September 2015:</p> <p>COSME LGF: € 0,7 billion of financing mobilised and 30 885 SMEs having received financing⁶.</p> <p>CIP SMEG: € 20,3 billion in financing mobilised and 377 000 SMEs having received financing⁷,</p>

⁵ The programme will run from 2014 until 2020.

⁶ EIF quarterly operational report as at 30 September 2015 for the COSME Loan Guarantee Facility (LGF)

⁷ EIF quarterly report as of 30 September 2015 for the SME Guarantee Facility (SMEG) under the 2007-2013 Competitiveness and Innovation Programme (CIP)

Result/ Impact indicator (description)	Target (or milestones)	Latest known results as per Annual Activity Report
<p>This KPI refers to the SME Loan Guarantee scheme in COSME. This scheme addresses the need of SMEs to have access to finance. It is a continuation of the Guarantee scheme of the predecessor programme CIP. COSME started in 2014, the Co-operation Agreement with the European Investment Fund, which will manage the scheme was signed in July 2014. Therefore, the Financial Intermediaries have only recently started to sign first contracts with SMEs.</p> <p>The latest available figure of 377 000 firms receiving financing refers to the outgoing CIP programme. It shows that the target for COSME is realistic and that the financial instruments will reach a substantial number of firms with an impact on achieving the Europe 2020 goals.</p>		
<p>Most relevant KPI 2: Delivery of the actions announced in the Regulatory Fitness Communication possibly leading to amendments in the legislation</p>	<p>2015: 1 Repeal 2 Fitness Checks 4 Evaluations 1 Cumulative Cost Assessment</p> <p>2016: 1 Fitness Check 3 Evaluations 2 Cumulative Cost Assessments</p> <p>Cumulative target 2011-2017: 30 Fitness Checks, Evaluations, Cumulative Cost Assessments and Repeals to be delivered by the end of 2017 (5 REFIT items were added in the CWP 2016 in addition to the 25 mentioned in the MP 2015)</p>	<p>Delivered 2011-2015: 12 measures</p> <ul style="list-style-type: none"> - Recast of late payment Directive (2011) - Construction Products Regulation (2011) - Recognition of professional (2011) - Public Procurement (2011) - REACH review (2013) - Cumulative Cost Assessment steel industry (2013) - Cumulative Cost Assessment aluminium industry (2013) - Evaluation of the internal market for products (2013) - Fitness check of the cars type approval system (2013) - Evaluation of the Firearms Directive (2014) - Evaluation of the Commercial Agents Directive (2015) - Repeal of Directive 1999/45/EC on the classification, packaging and labelling of dangerous preparations (2015)
<p>REFIT (=Regulatory Fitness) is a programme of the Commission to make EU legislation lighter, simpler and less costly. The Commission committed itself to achieving ambitious goals in several REFIT Communications, which are highly visible and go well beyond routine work. DG GROWTH is a main contributor to this programme. Between 2011 and 2015, the DG has finalised 13 actions, mostly fitness checks, evaluations and cumulative cost assessments for industrial sectors leading to simplification of legislation in the internal market for goods. As a number of actions are ongoing, the DG is confident that the programme's goals can be achieved as planned.</p> <p>Ultimately, lighter and less costly legislation will help enterprises to become more competitive globally and thus help achieve the Europe 2020 goals.</p>		

Result/ Impact indicator (description)	Target (or milestones)	Latest known results as per Annual Activity Report
<p>Most relevant KPI 3:</p> <p>Cumulative number of operational Galileo and Copernicus satellites</p>	<p>Milestone⁸ for 2015</p> <p>Galileo Satellites: 8⁹ by 2015</p> <p>Copernicus Satellites: 3 by end of 2015</p> <p>Target (2020)</p> <p>Galileo 30 satellites</p> <p>Copernicus 8 satellites</p>	<p>Galileo</p> <p>Satellites: 4 in 2013 4 by end 2014 9¹⁰ by end 2015</p> <p>Copernicus</p> <p>Satellites: 0 in 2013 1 in 2014 2¹¹ in 2015 (3 in early 2016)</p>

The number of operational satellites is an aggregate indicator which is relevant for measuring progress as a satellite can only become operational if the budget, the management and the technical challenges have been successfully solved.

Galileo: The successful launch of six Galileo satellites over the last nine months of 2015, more than doubling the number of the satellites launched to date, is a real achievement for Galileo and it is a significant deployment pace within the satellite navigation world.

Copernicus: The deployment is on track and has already started to deliver earth observation services in the form of imagery and maps to help rescue operations in cases of natural disaster.

Satellite navigation and earth observation are highly advanced and innovative technologies with a substantial economic potential. Both EU programmes are an investment into the European space industries, so that they can generate growth and jobs and thus contribute to achieving the EU 2020 strategy.

⁸ Cumulative number of satellites.

⁹ Based on 4 additional satellites.

¹⁰ In 2015, the cumulative number of operational Galileo satellites is 9, whereas the total number of satellites deployed in orbit is 12. This difference stems from the following chronological events:

- In 2013, four operational satellites have been launched and used to validate the Galileo system.
- In 2014, one of these four satellites had a technical issue, which prevented the satellite in question to be considered as fully operational. Another two satellites had a launch anomaly in 2014. Currently, their full operational capability is being tested.
- In 2015, differently to the respective milestone, 6 satellites have been successfully launched as all of them are able to deliver full operational capability.

¹¹ The launch of one Copernicus satellite has been rescheduled from end 2015 to early 2016 due to technical issues.

Result/ Impact indicator (description)	Target (or milestones)	Latest known results as per Annual Activity Report
<p>Most relevant KPI 4: Share of Horizon 2020 projects with activities close to the market or to developing applications measured by the Technology Readiness Level (TRL) measured for the space part of Horizon 2020 under ENTR responsibility</p>	<p>Milestone for 2014 55 % of the 2014 budget to be devoted to projects with a TRL of at least value 4, which means demonstration through a trial and/or external input</p> <p>Target 2015 End 2015: 60 % of the budget for the biannual work programme will be devoted to projects with a TRL of at least 4 (= demonstration through a trial and/or external input)</p>	<p>51 % of the H2020 Space 2014 budget</p>
<p>This KPI refers to three H2020 specific programmes under the responsibility of DG GROWTH: space research, raw materials and secure societies. These specific programmes contribute to achieving a priority goal of supporting research projects which are close to the market and thus contribute to the competitiveness of the European economy. The indicator chosen to measure progress is the Technology Readiness Level (TRL) of projects.</p> <p>The TRL index ranges from 1 (basic research) to 9 (market ready application). The target of 4 is to demonstrate that the aim of the programme is to finance projects which intend to innovate. This should not be seen as underrating the value of basic research projects, which actually create pre-conditions for innovation.</p> <p>The target chosen for the first two-year H2020 Work Programme is to have 60 % of the budget devoted to projects with TRLs of at least 4. Currently, the DG has achieved 51 %. Therefore, more effort needs to be invested to achieve our target in the upcoming calls.</p> <p>Research projects that are close to the market have the highest potential to generate growth and jobs and will thus help to achieve the EU 2020 targets.</p>		
<p>Most relevant KPI 5: Multiannual residual error rate for the DG GROWTH activities</p>	<p>Yearly quantifiable error per ABB activity below materiality level of 2 %</p> <p>FP7 and CIP residual error rates is below the materiality threshold of 2 %</p>	<p>ABB 01 - non material error ABB 02 - non material error ABB 03 - non material error ABB 04 - non material error ABB 05 - non material error ABB 06 - non material error</p> <p>FP7 residual error rate: 2,88 % CIP residual error rate: 6,21 %</p>

Result/ Impact indicator (description)	Target (or milestones)	Latest known results as per Annual Activity Report
<p>The six Activity Based Budgeting (ABB) chapters of DG GROWTH are:</p> <ul style="list-style-type: none"> ABB 01: Administrative expenditure of the 'Enterprise and industry' policy area ABB 02: Competitiveness of enterprises and small and medium-sized enterprises (COSME) ABB 03: Internal market for goods and sectorial policies ABB 04: Horizon 2020 - Research relating to enterprises ABB 05: European satellite navigation programmes (EGNOS and Galileo) ABB 06: European Earth observation programme (Copernicus) 		
<p>ABB 02 and ABB 04 are partially affected, namely:</p> <p>Article 02 02 51 'Completion of former activities in the competitiveness and entrepreneurship domain' and Article 02 04 53 'Completion of Competitiveness and Innovation Framework Programme – Innovation part (2007-2013)', by the residual error rate under CIP, which scope represents only 0,95 % of all payments for 2015.</p> <p>and</p> <p>Article 02 04 51 'Completion of previous research framework programmes – Seventh Framework Programme – EC (2007 to 2013)', by the residual error rate under FP7, which scope represents only 0,19 % of all payments for 2015.</p> <p>Nevertheless, the quantifiable potential error being of € 0,209 million for FP7 and € 1,283 million for CIP, the maximum potential impact for the ABB activities concerned is 0,69 %, which is below the 2 % materiality threshold.</p>		

Key conclusions on Management and Internal control

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

The Commission has adopted a set of internal control principles, based on international good practice, aimed to ensure the achievement of policy and operational objectives. The financial regulation requires that the organisational structure and the internal control systems used for the implementation of the budget are set up in accordance with these standards. DG GROWTH has assessed the internal control systems during the reporting year and has concluded that the internal control principles are implemented and function as intended. The reader is referred to section 2.3 for further details.

In addition, DG GROWTH 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. The reader is referred to Section 2 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 her capacity as Authorising Officer by Delegation has signed the Declaration of Assurance qualified by reservations concerning the 7th Research Framework Programme and the Competitiveness and Innovation Framework Programme.

Information to the Commissioner

The main elements of this report and assurance declaration, including reservations envisaged, have been brought to the attention of Commissioner Elżbieta Bieńkowska, responsible for Internal Market, Industry, Entrepreneurship and SMEs.

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

DG GROWTH contributes to the achievement of the Juncker priorities through the following ABB activities:

- The [programme for Competitiveness of Enterprises and Small and Medium-sized Enterprises \(COSME\)](#) (€ 2,3 billion)
- The [programme for Research and Innovation, Horizon 2020](#), including activities for space, raw materials, and innovation in SMEs (€ 3,6 billion)
- The [programme for Satellite Navigation, \(Galileo/EGNOS\)](#) (€ 7,1 billion)
- The [programme for Global Earth Observation \(Copernicus\)](#) (€ 4,3 billion)
- Furthermore, this DG has a general objective for the **internal market**. The activities in this area are mainly managed through legislative actions.

1.1 Competitiveness of Enterprises and SMEs (COSME)

COSME runs from 2014 to 2020 and has a planned budget of € 2,3 billion, out of which € 1,3 billion funds financial instruments. The COSME programme builds on the success of the Competitiveness and Innovation Framework Programme (CIP), which helped to mobilise more than € 19,4 billion of loans and € 3,1 billion of venture capital to over 370 000 SMEs in Europe between 2007 and 2013. The final evaluation of the CIP demonstrated its positive contribution to strengthening competitiveness.

The first general objective of the programme is to strengthen the competitiveness and sustainability of the Union's enterprises, particularly SMEs. Two pillars of COSME address this objective: access to finance and access to markets.

COSME is improving access to finance for SMEs

This is done through two financial instruments that have been available since August 2014. These financial instruments facilitating access to loans and equity finance for SMEs where market gaps have been identified, are managed by the European Investment Fund (EIF) in cooperation with financial intermediaries in EU countries and can mobilise up to € 25 billion in financing for SMEs through leverage effects.

A major achievement in 2015 was the strengthening of the link with the Investment Plan of the Juncker Commission. To enhance funding opportunities under the COSME Loan Guarantee Facility (LGF) with the support of the European Fund for Strategic Investments (EFSI), the European Commission and the European Investment Fund (EIF) amended the Delegation Agreement in July 2015. This will enable SMEs to receive LGF supported financing earlier than was previously possible, and this in turn will ensure COSME has a quicker positive impact, which will lead to further investments, growth and a faster economic recovery. The front-loading mechanism put in place for the LGF triggered in 2015 an even more significant contribution to providing financing for riskier SME transactions as would have been the case without the EFSI guarantee (18 guarantee agreements signed, for a total amount of € 163 million of legal commitments). It is expected that especially start-ups and smaller SMEs, which find it hardest to access finance, will benefit from the enhanced LGF. As of 30 September 2015, more than 30 000 SMEs already received financing for more than € 700 million.

COSME is also facilitating internationalization of SMEs and access to market

More than two thirds of the COSME budget for access to markets will be devoted to the Enterprise Europe Network (EEN), which helps SMEs to internationalise in particular by finding business and technology partners abroad. In 2014, 2 636 partnerships between SMEs were signed via the Network (which is an increase of 10 % compared to the previous year). The Network also helps SMEs making the most of the internal market by providing information, advice and brokerage. 522 725 SMEs benefited from such services in 2014 (which is also an important increase compared to the previous years).

COSME will continue to support other specific actions assessed positively under CIP such as the EU-Japan Centre and Intellectual Property Rights (IPR) Helpdesks in third countries.

DG GROWTH has commissioned a Eurobarometer survey on the internationalization of SMEs in 2015. This showed that about half of SMEs in the EU were involved in international business outside the Internal Market over the last three years. Complicated administrative procedures, high delivery costs and identifying business partners were indicated as the major barriers for exporting.

The second general objective of COSME is to encourage an entrepreneurial culture and to promote the creation and growth of SMEs.

The evaluation of the **Erasmus for young entrepreneurs' scheme** performed in 2014 concluded that the overall concept of the programme has proved successful in addressing the needs of entrepreneurs in the European market. On the background of a 5 % drop in enterprise births in Europe in 2009-2011, and a 3 % decrease in the number of micro-enterprises in 2010-2012, the fact that 36,5 % of EYE participants started a business in this period is a positive and encouraging result.

New Entrepreneurs exhibit relatively high survival rates, compared to European SME averages. On average, only 79 % of European start-ups survive after two years of activity, and only 57 % of them reach their three-year anniversary while 87 % of EYE NEs are still in business since their exchange. Considerable shares of EYE entrepreneurs were able to hire more people in spite of the general trend in diminishing employment numbers during the economic crisis: 56 % of Host Entrepreneurs and 30 % of New Entrepreneurs have been in the position to hire new persons since their exchange, while the level of employment in SMEs diminished with an average annual rate of 1,2 % in 2009-2013 in Europe.

Reduced administrative burden and favourable conditions for starting-up a business is a major indicator for the quality of the business environment. 11 % of the COSME budget supports action to improve the business environment. This is an area where notable results have been achieved under the earlier programme CIP. The time and cost to start up a business has steadily decreased. The Action Programme for reducing administrative burdens under the CIP led to savings for enterprises valued at over € 40 billion and fed into the current Better regulation programme of the Commission (REFIT).

Action is continued under COSME. As regards the time to obtain licences to start up a company, the milestone target for 2017 has already been reached in 2014. In a limited number of areas (mostly related to the protection of the environment, health and safety) licensing often takes more than 3 months to obtain. These areas typically represent the highest burden for start-ups. The need to obtain licences in sequence is also a particular problem in some Member States.

State of play on the general and specific objectives:

General Objective 1			
To strengthen the competitiveness and sustainability of the Union's enterprises, particularly SMEs			
To encourage an entrepreneurial culture and promote the creation and growth of SMEs			
Indicator 1.1: Performance of SMEs as regards sustainability			
<i>Baseline</i>	<i>Milestone</i>	<i>Current Situation</i>	<i>Target</i>
Share of EU SMEs producing green products (goods and services): 2012 = 26 % (source: Flash Eurobarometer on SMEs and green markets)	33 % by 2017	Share of EU SMEs producing green products (goods and services): 2015 = 26 %	Increase the share of Union SME producing green products
Indicator 1.2: Changes in unnecessary administrative and regulatory burden on both new and existing SMEs			
Number of days to set up new SME in 2012 = 5.4 working days	4 days by 2017	2014 = 3.5 days	Marked reduction of number of days to set-up a new SME ¹²
Cost of start-up in 2012: € 372 2011: € 397; 2010: € 399; 2009: € 417	€ 300 by 2017	2014 = € 313	Marked reduction in the average start-up costs in the Union ¹³
Number of Member States where the time needed to get licences and permits (incl. environmental permits) to take up and perform the specific activity of an enterprise ¹⁴ is one month = 2	4 Member States by 2017	2014= - ≤ 1 month in 4 MS - ≤ 2 months in 14 MS - ≤ 3 months in 6 MS - > 3 months for a limited number of licences in 4 MS	Marked increase in the number of Member States where the time needed to get licences and permits to take up and perform the specific activity of an enterprise is one month

¹² A 2020 target of 3 days is mentioned in the recent Industrial Policy Communication COM(2014)14 of 22 January 2014.

¹³ A 2020 target of € 100 is mentioned in the recent Industrial Policy Communication COM(2014)14 of 22 January 2014.

¹⁴ For 5 model companies.

3. Changes in share of SMEs exporting within or outside the Union

Number of SMEs exporting within the EU is 25 % in 2009 Number of SMEs exporting outside the EU is 13 % in 2009	Number of SMEs exporting within the EU is 29 % in 2018 Number of SMEs exporting outside the EU is 17,5 % in 2018	Number of SMEs exporting within the EU is 30 % in 2015 Number of SMEs exporting outside the EU is 20 % in 2015	Increase in the share of SMEs exporting and increase in the share of SMEs exporting outside the Union
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General Objective 2

To encourage an entrepreneurial culture and promote the creation and growth of SMEs

Indicator 2.1. Changes in SME growth

<i>Baseline</i>	<i>Milestone</i>	<i>Current Situation</i>	<i>Target</i>
In 2010 SMEs provided more than 58 % of total EU gross value added (GVA) In 2010, the SMEs GVA increased by 4,7 % (and 4,2 % in 2011)	Annual increase of 4 % in SMEs Gross Value-Added	In 2015 SMEs GVA grew by 3,3 % and employment by 1,2 %	Increase of SME output (value added) and employees
Total number of employees in SMEs in 2010 = 87.5 million (67 % of private sector jobs in the EU) The annual growth of employees in SMEs in 2010 was -0,4 % and 0,2 % in 2011	Annual growth of employees in SMEs of 1 %	According to the latest available data in 2014, annual growth of employees in SMEs was 1,2 %	

Indicator 2.2. Changes in share of Union citizens who wish to be self-employed (Source: Eurobarometer survey)

2012 = 37 %	50 % by 2017	The first Eurobarometer after 2012 is proposed for the COSME 2016 Work Programme	Increase in the share of EU citizens that would like to be self-employed
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Relevant General Objectives:

To strengthen the competitiveness and sustainability of the Union's enterprises, particularly SMEs

To encourage an entrepreneurial culture and promote the creation and growth of SMEs

Specific Objective 1: To improve access to finance for SMEs in the form of equity and debt

Baseline	Milestone (end of 2017) ¹⁵	Current Situation	Target (2020)
Result indicator: Number of Firms benefiting from debt financing Source: EIF (European Investment Fund) Reports			
<p>As of 31 December 2012, € 13,4 billion in financing mobilised, reaching 219,000 SMEs (SMEG)¹⁶</p> <p>As of 30 June 2014, € 25 billion in financing mobilised, reaching 346 000 SMEs (SME Guarantee Facility under CIP)</p>	<p>Value of financing mobilised ranging from € 7,0 billion to € 10,5 billion.</p> <p>Number of firms receiving financing which benefit from guarantees from the programme ranging from 108 000 to 161 000.</p>	<p>30 September 2015:</p> <p>COSME LGF: € 0,7 billion of financing mobilised and 30 885 SMEs having received financing¹⁷</p> <p>CIP SMEG: € 20,3 billion in financing mobilised and 377 000 SMEs having received financing¹⁸</p>	<p>Value of financing mobilised ranging from € 14 billion to € 21 billion; number of firms receiving financing which benefit from guarantees from the programme ranging from 220,000 to 330,000 (COSME Loan Guarantee Facility targets)</p>
Result indicator: Number of VC investments from the Programme and overall volume invested Source: EIF (European Investment Fund) Reports			
<p>As of 31 December 2012, € 2,3 billion in VC funding mobilised to 289 SMEs (GIF)</p> <p>As of 30 June</p>	<p>Overall value of VC investments ranging from € 0,74 billion to € 1,1 billion; number of firms receiving VC investments from the Programme ranging from 100 to 150¹⁹</p>	<p>COSME EFG: First fund agreements signed end of 2015</p> <p>CIP GIF: € 3,1 billion in VC funding mobilised to 490 SMEs</p>	<p>Overall value of VC investments ranging from € 2,6 billion to € 3,9 billion; number of firms receiving VC investments from the Programme</p>

¹⁵ End of 2017 chosen because these numbers are expected to serve as a basis for the mid-term evaluation of the Programme in 2018.

¹⁶ Latest EIF quarterly report issued on 31 December 2014 for the SME Guarantee Facility (SMEG) under the 2007-2013 Competitiveness and Innovation Programme (CIP).

¹⁷ EIF quarterly operational report as at 30 September 2015 for the COSME Loan Guarantee Facility (LGF).

¹⁸ EIF quarterly report as of 30 September 2015 for the SME Guarantee Facility (SMEG) under the 2007-2013 Competitiveness and Innovation Programme (CIP).

¹⁹ These numbers take into account that investing by VC Funds is spread over 4-5 years after commitment.

2014, € 2,9 billion in VC funding mobilised to 400 SMEs			ranging from 360 to 540 (COSME Equity Facility for Growth targets)
Result indicator: Leverage Ratio Source: EIF (European Investment Fund) Reports			
Leverage ratio for the SMEG facility 1:32 Leverage ratio for GIF 1:6.7	Debt instrument 1:20 – 1:30 Equity instrument 1:4- 1:6	Disbursement of financing will start in 2015 for the LGF and in 2016 for the EFG	Debt instrument 1:20 – 1:30 Equity instrument 1:4- 1:6 ²⁰
Result indicator: Additionality of the EFG and LGF Source: Mid-term and final programme evaluations			
Additionality of the SMEG: 64 % of final beneficiaries indicated that support was crucial to find the finance they needed. Additionality of the GIF: 62 % of GIF final beneficiaries indicated that support was crucial to find the finance they needed	Share of final beneficiaries that consider the EFG or the LGF to provide funding that could not have been obtained by other means equal to or higher than 70 %.	This indicator will be measured as part of the interim and final evaluations of COSME	Increase in the share of final beneficiaries that consider the EFG or the LGF to provide funding that could not have been obtained by other means compared to baseline
Main policy outputs			
Implementation of the financial instruments Equity Facility for Growth (EFG) and Loan Guarantee Facility (LGF) Survey on SMEs access to finance			
Main expenditure-related outputs			
Organisation of workshops with SMEs, banks and other financial institutions to monitor the market situation and to facilitate SMEs' access to finance	Organise 3 to 5 events on issues relevant to policy making	4 th quarter 2015	
Update and promotion of the single web portal on EU Finance	Timely carry-out of the events, campaigns and production of promotional	4 th quarter 2015	

²⁰ € 1 from the Union budget will result in € 20-30 in financing and € 4-6 in equity investments over the lifetime of the COSME programme.

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Relevant General Objective: To strengthen the competitiveness and sustainability of the Union's enterprises, particularly SMEs			
Specific Objective 2: To improve framework conditions for the competitiveness and sustainability of Union enterprises, particularly SMEs, including in the tourism sector			
Baseline	Milestone	Current Situation	Target (2020)
Result indicator: Number of simplification measures adopted Source: Internal monitoring of the Simplification Rolling programme NOTE that this Programme was superseded by the REFIT programme (see below)			
3 in 2013	5 in 2014	4 in 2015 4 in 2014	At least 7 simplification measures per year
Result indicator: Making the regulatory framework fit for purpose Source: Internal monitoring and REFIT Communication			
<u>Delivered in 2011-2014:</u> 8 measures	2015: 1 Repeal 2 Fitness Checks 4 Evaluations 1 Cumulative Cost Assessment 2016: 1 Fitness Check 3 Evaluations 2 Cumulative Cost Assessments	<u>Delivered in 2015:</u> 2 measures	30 Fitness Check, Evaluations, Cumulative Cost Assessments and Repeals to be delivered by the end of 2017 (5 REFIT items were added in the CWP 2016 in addition to the 25 mentioned in the MP 2015)
Result indicator: Number of Member States using the competitiveness proofing test Source: Internal monitoring			
Number of Member States using the competitiveness proofing test: 1 Member State (November 2014)	7 of the Member States by end 2017	Latest data available: 1 Member State (November 2014)	Marked increase in the number of Member States using the competitiveness proofing test

Result indicator: Resource efficiency (which may include energy, materials or water, recycling, etc.) actions taken by SMEs Source: Eurobarometer			
<p>In 2013, 93 % of SMEs are taking at least one action to be more resource efficient²¹</p> <p>In 2013, eight out of ten SMEs are planning additional resource efficiency actions in the next two years²²</p>	<p>A milestone will be defined following the launch of the European Resource-Efficiency self-assessment tool for SMEs in 2016</p>	<p>Data will be available once the results of the self-assessment tool from 2015 are defined in 2016.</p>	<p>Increase in the share of EU SMEs that are taking at least one action to be more resource efficient</p> <p>Increase in the share of EU Union SMEs that are planning to implement additional resource efficiency actions every two years compared to baseline</p>
Result indicator: Number of Member States using SME test²³ Source: Reports from Member States			
<p>Number of Member States using or introducing SME test: 15 Member States in 2013</p>	<p>2017: 19 Member States</p>	<p>2014: 18 Member States</p>	<p>Marked increase</p>
Result indicator: Participation in transnational cooperation projects in tourism Source: Internal monitoring			
<p>3 countries covered per project in 2011</p>	<p>2017: 5 countries</p>	<p>2014: 4 countries 2015: 5 countries 2016: 5 countries</p>	<p>Increase</p>

²¹ The most common actions being to minimise waste, save energy (both 67 %) and save materials (59 %). At least half are also recycling by reusing material or waste within the company, or by saving water (both 51 %).

²² In particular, saving energy (58 %) and minimising waste (56 %). Almost half (49 %) plan to save materials, while 43 % will save water and 41 % will recycle within the company.

²³ Joint responsibility with the Secretariat-General.

Result indicator: Number of destinations adopting the sustainable tourism development models promoted by the European Destinations of Excellence
Source: Internal monitoring

Number of European Destinations of Excellence awarded in total: 98 in 2011	2017: more than 150 in total	2014: 120 in total 2015: 140 in total 2016: 140 in total	More than 200 destinations (about 20 every year)
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Result indicator: Number of new products/services in the market
Source: Internal monitoring

As this was restricted to analytical work of limited scale, the baseline will be 5 in 2017	15 in 2018	8 in 2015 8 in 2016	Increase in the cumulative number of new products/services
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Main policy outputs

Contribution to the CWP 2015 initiative Digital Single Market Package – adopted 6 May 2015 (COM(2015)192):

- Building trust and confidence: making the DSM work better for consumer
- Removing restrictions: e.g. improving parcel delivery
- Ensuring access and connectivity: e.g. developing ICT and patent-based standardisation
- Making it easier for innovators to start their own company
- Promoting e-society: use digital tools

Report on Single Market Integration and Competitiveness in the EU and its Member States – adopted 28 October 2015 (SWD(2015) 203)

Flash Eurobarometer 426 on SMEs, resource efficiency and green markets – published December 2015

Smart Guide on Supporting SMEs to Take Advantage of Resource Efficiency for European Structural and Investment Funds (ESIF) Managing Authorities

Smart Guide to Cluster Policy for European Structural and Investment Funds (ESIF) Managing Authorities

Joint DG REGIO-GROWTH conference on the implementation of smart specialisation strategies through clusters – conference held 27/28 April 2015

European Cluster Observatory: European Cluster Trends report was published in April 2015 and support to 6 model demonstrator regions

European Service Innovation Scoreboard 2015, published in January 2015

Main expenditure-related outputs

<p>SME policy:</p> <p>Monitoring implementation of the Small Business Act (SBA) and organisation of events (SME assembly, meetings of SME envoys, etc.)</p> <p>Signature of specific contract for the SME Performance Review</p> <p>Provide communication and information tools to promote SME policy using outreach tools</p>	<ul style="list-style-type: none"> • Progress achieved in the implementation and timely organisation of events • Successful signature of contract • Increase awareness 	<p>SME Assembly took place in Luxembourg on 18-20 November 2015</p> <p>SME Envoy meetings took place in 2015 on 20 March in Paris, 22 May in Milan and 22 September in Brussels</p> <p>Annual Report on European SMEs was published on 19 November 2015 and as well the 2015 SBA Fact Sheets</p>
<p>European and MS Competitiveness:</p> <p>Signature of specific contracts for the European Competitiveness Report 2016</p> <p>Providing tailored support to Member States for reforms promoting competitiveness</p>	<ul style="list-style-type: none"> • Successful signature of contracts • Uptake of the facility by Member States 	<p>Report was published on 28 October 2015</p> <p>1st quarter 2015 – 1st quarter 2016</p>
<p>Corporate Social Responsibility:</p> <p>Call for proposal CSR Risk Check Tool and signature of grant agreements</p>	<ul style="list-style-type: none"> • Successful launch of call and signature of agreement 	<p>1st – 3rd quarter 2015</p>
<p>Social Entrepreneurship:</p> <p>Provide support for a European Fair of Social Enterprises in Bulgaria</p> <p>Call for proposal Collection for statistics in family businesses</p>	<ul style="list-style-type: none"> • Successful organisation of Fair • Successful launch of call 	<p>started in March 2015</p> <p>Published on 15 April 2015</p>
<p>Clusters:</p> <p>Call for proposals Cluster Excellence Programme</p> <p>Call for proposals Cluster Go International</p> <p>Organisation of stakeholder workshops on clusters & emerging industries, cluster internationalisation, cluster strategy for growth, and resource efficiency and circular economy</p>	<ul style="list-style-type: none"> • Successful launch of calls • Organisation of 5-6 events 	<p>3rd quarter 2015</p> <p>4th quarter 2014 (combined call for 2014-2015)</p> <p>4th quarter 2015</p>
<p>Key Enabling Technologies (KETs):</p> <p>Call for proposals Access of</p>	<ul style="list-style-type: none"> • Successful launch of call 	<p>3rd quarter 2015</p>

SMEs to KETs technological platforms		
Design-based Consumer Goods: Call for proposals Design-Based Consumer Goods	<ul style="list-style-type: none"> • Successful launch of call 	Launched on 23 July 2015
Tourism: Launch of calls for proposals: <ul style="list-style-type: none"> - Encouraging tourism flows of seniors and youth target groups - Promotion of transnational thematic tourism products in the main third countries' markets and within the EU - Awareness raising of the EDEN initiative and promotion of the EDEN destination and network - Improving facilities and services for tourists with special access needs - Management, promotion and content provision for ICT and Tourism Business Support Portal - Maintenance and enhancing of the ICT register of accessible tourism facilities - Management of the Virtual Tourism Observatory 	<ul style="list-style-type: none"> • Successful launch of calls 	4 th quarter 2015
Construction 2020: Implementation of the action plan Construction 2020 through a series of capacity building measures, roadmaps, market analyses, collection of good practices and an annual review of the results achieved.	<ul style="list-style-type: none"> • Delivery of annual review 	4 th quarter 2015
Competitiveness of the Food Industry: Setting up new High Level Forum on better functioning of the food supply chain Delegated and Implementing Acts for Regulation 510/2014 FTA negotiations and regulatory dialogue concerning processed agricultural products	<ul style="list-style-type: none"> • Organisation of 1st meeting • Adoption of Acts • Successful conclusion of agreements/meetings 	4 th quarter 2015 4 th quarter 2015 4 th quarter 2015

<p>Competitiveness of the pharmaceutical Industry:</p> <p>FTA negotiations and regulatory dialogue concerning pharmaceutical products</p>	<ul style="list-style-type: none"> • Successful conclusion of agreements/meetings 	4 th quarter 2015
<p>Bio-Based Market Products:</p> <p>Call for Tender Guidance Material</p> <p>Call for Tender Advisory Support and dissemination</p>	<ul style="list-style-type: none"> • Successful launch of tenders 	<p>Guidance material (launched 04/04)</p> <p>Support planned for 3rd quarter</p>

Relevant General Objective: To encourage an entrepreneurial culture and promote the creation and growth of SMEs			
Specific Objective 3: To promote entrepreneurship and entrepreneurial culture			
Baseline	Milestone	Current Situation	Target (2020)
<p>Result indicator: Number of Member States implementing entrepreneurship solutions based on good practice identified through the programme</p> <p>Source: Reports from Member States</p>			
Number of Member States implementing entrepreneurship solutions: 22 (2010)	25 in 2017	28 Member States in 2015	100 %
<p>Result indicator: Number of Member States implementing entrepreneurship solutions targeting potential, young, new and female entrepreneurs, as well as other specific target groups</p> <p>Source: Reports from Member States</p>			
12 Member States in the European Network of Mentors for Women Entrepreneurs 6 Member States and 2 regions have a specific strategy for Entrepreneurship Education 10 Member States have incorporated national objectives related to entrepreneurship education in broader lifelong learning strategies and in 8 Member	By 2017: 12 Member States implementing new initiatives in this area	5 MS and 1 region have a specific strategy for Entrepreneurship Education 14 MS and 2 regions have national objectives related to entrepreneurship education in a broader strategy 2 MS have a specific strategy in development All MS implement specific actions for women entrepreneurs.	Marked increase in number of Member States

<p>States entrepreneurship strategies are currently under discussion</p>		<p>Croatia has a national strategy for women entrepreneurship.</p> <p>The Women Entrepreneurship network (WES) is a policy network from national government or agencies working on women entrepreneurship and includes the 28 EU MS plus 3 COSME countries.</p> <p>All MS will join the European e-platform that the Commission is currently preparing to assist women to start-up and grow their enterprises as well as to mentor and network.</p> <p>18 MS took part at the European Network of Female Entrepreneurship Ambassadors plus 4 COSME associated European countries</p> <p>12 MS took part at the European Network of Mentors for Women Entrepreneurs plus 5 COSME associated European countries</p>	
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Outputs			
Call for tender raising awareness and eMentoring ecosystem on Digital Entrepreneurship	<ul style="list-style-type: none"> • Successful launch of call 	4 th quarter 2015	
Call for proposals 'Intermediary organisations for Erasmus for Young Entrepreneurs (mobility scheme)'	<ul style="list-style-type: none"> • Number of entrepreneurs registered for the programme 	Launched on 26 March 2015	
Call for tender e-platform for female entrepreneurs	<ul style="list-style-type: none"> • Successful launch of call 	Launched on 8 May 2015	

Relevant General Objectives: To strengthen the competitiveness and sustainability of the Union's enterprises, particularly SMEs To encourage an entrepreneurial culture and promote the creation and growth of SMEs			
Specific Objective 4: To improve access to markets, particularly inside the Union but also at global level			
Baseline	Milestone	Current Situation	Target (2020)
Result indicator: Number of cases of improved alignment between EU and third countries' regulations for industrial products Source: Internal monitoring			
It is estimated that in regulatory cooperation with main trading partners (US, Japan, China, Brazil, Russia, Canada, India) there is an average of 2 relevant areas of significant alignment of technical regulations	3 relevant areas by 2017	No data available yet	4 relevant areas of significant alignment of technical regulations with main trading partners (US, Japan, China, Brazil, Russia, Canada, India)
Result indicator: Number of partnership agreements signed Source: Monitoring through the Europe Enterprise Network			
Partnership agreements signed: 2475 (2012)	7500 signed by 2017	2636 in 2014 (latest available data)	Partnership agreements signed: 2500 per year
Result indicator: Recognition of the Network amongst SME populations Source: Monitoring through the Europe Enterprise Network			
8 % of SME have heard about EEN services ²⁴	Milestone to be determined	8 % of SME have heard about EEN services	Increase
Result indicator: Client satisfaction rate (% SMEs stating satisfaction, added-value of specific service provided by the Network)			

²⁴ Source: Eurobarometer on Internationalisation of SME (2015).

Source: Monitoring through the Europe Enterprise Network			
In 2013, 86 % rated services as 'Good/Very good'	2017: 80 %	Survey foreseen in 2016	2020: > 82 %
Result indicator: Number of SMEs receiving support services Source: Monitoring through the Europe Enterprise Network			
Number of SMEs receiving support services: 435,000 (2011)	2017: 1,400,000	2013: 435,700 2014: 522,725	Number of SMEs receiving support services 500,000/year
Result indicator: Number of SMEs using digital services (including electronic information services) provided by the Network Source: Monitoring through the Europe Enterprise Network			
2 million SMEs per year using digital services	2.2 million SMEs in	No data available yet, survey launched in 2015, results in 2016	2.3 million SMEs per year using digital services

Main expenditure-related outputs		
Enterprise Europe Network:		
Organisation of a launch conference for the Network	<ul style="list-style-type: none"> • Successful conference 	Conference held on 8/9 June 2015
Your Business portal: Signature of specific contract	<ul style="list-style-type: none"> • Number of unique visitors to the portal; • Number of page views; 	Increase number of visitors and page views by 5 % each year. Data not available yet.
SME internationalisation: Launch of call for tender Filling the Gap on SME Internationalisation	<ul style="list-style-type: none"> • Successful launch of call 	4 th quarter 2015
EU-Japan Centre: Support for the EU-Japan Centre	<ul style="list-style-type: none"> • Successful signature of contract 	Signature of grant: 2 nd quarter 2015
Industrial Cooperation: Policy Implementation of all the Letters of Intent on cooperation with third countries Scoping exercise to develop industrial and regulatory cooperation with certain countries Regional dialogues within the	<ul style="list-style-type: none"> • Successful signature of contracts 	Signature of contracts: 4th quarter 2015

Neighbourhood area		
<p>Exchanges of good practice in the area of compliance assistance and compliance schemes:</p> <p>Signature of 2 specific contracts</p>	<ul style="list-style-type: none"> • Successful signature of contracts 	Signature of contracts: 1 st quarter 2015

1.2 General objective Horizon 2020: research relating to enterprises

DG GROWTH is directly managing € 3,6 billion out of € 77 billion for Horizon 2020 as a spending DG.

The General Objective is to build a society and an economy based on knowledge and innovation across the whole Union by leveraging additional research, development and innovation funding and contributing to attaining R&D targets.

The DG has a strong focus on promoting a higher participation of the private sector and of SMEs and more close-to-market research in the Horizon 2020 programme, as a lever to increase business investment in research and innovation. The DG implements these objectives in the areas where it directly manages funds (raw materials, SME and innovation as well as space research), and is well on track to meet all its milestone targets in these areas.

The DG also promotes these crosscutting objectives in other areas of the programme where it actively contributes to the implementation of the programme, while not being directly in charge (e.g. SME instrument, Key Enabling Technologies). Overall, the first results from 2014 show that the participation of the private sector and of SMEs has increased in Horizon 2020 compared to FP7.

However, the Horizon 2020 budget is very limited in comparison with the business expenditure on research and development across Europe (1,3 % of GDP hence more than € 170 000 billion). DG GROWTH has taken policy action in 2014 to further encouraging business investment in research and innovation, for example via its industrial policy and its contribution to the European Investment Plan.

SMEs

Ensuring the involvement of SMEs in Horizon 2020 has been a central consideration in the development of the Work Programme. The objective is that SMEs should receive, over the whole life of the programme, at least 20 % of the combined budgets of the "Societal challenges" and "Leadership in enabling and industrial technologies". 7 % of funds are allocated through the SME instrument designed specifically for highly innovative smaller companies. This dedicated SME instrument has been introduced to support close-to-market activities, with the aim to give a strong boost to breakthrough innovation. The 2015 results of 22,52 % and 5,3 % for SME participation and the SME instruments, respectively, are a successful start as regards participation across the whole Horizon 2020 programme.

Space research

In January, the European GNSS Agency (GSA) has signed funding agreements with 25 projects as part of the first call of Horizon 2020. Under the agreements, the projects will receive a cumulative grant of € 37 096 177. The projects funded address research on satellite navigation applications, transport and surveying/mapping. Another focus is on supporting Small and Medium Enterprises in space industry.

The first call saw the submission of 105 proposals addressing all market segments. Of particular note were the high scores of these submissions – raising the competition among upcoming calls.

State of play on the general and specific objectives:

General Objective			
To build a society and an economy based on knowledge and innovation across the whole Union by leveraging additional research, development and innovation funding and contributing to attaining R&D targets			
Business enterprise R&D expenditure as percentage of GDP			
<i>Baseline</i>	<i>Milestone</i>	<i>Current Situation</i>	<i>Target</i>
1,3 % in 2011	1,5 % in 2017	1,3 % in 2013	2 % in 2020
Innovation indicator (Index with reference 100 in 2010) ²⁵			
104.4 in 2011 101.6 in 2012	Pending decision in the context of the European Semester	103.6 in 2015	Pending decision in the context of the European Semester

Relevant General Objective: To build a society and an economy based on knowledge and innovation across the whole Union by leveraging additional research, development and innovation funding and contributing to attaining R&D targets			
Specific Objective 1: To maintain and build global leadership through research and innovation in enabling technologies and space			
Specific Objective 1a: To foster a <i>cost-effective</i> competitive and innovative space industry (<i>including SMEs</i>) and research community to develop and exploit space infrastructure to meet future Union policy and societal needs			
Baseline	Milestone	Current Situation	Target (2020)
Result indicator: Patent applications in the different enabling and industrial			

²⁵ The Innovation Output Indicator was developed by the Commission at the request of the European Council to benchmark national innovation policies and to monitor the EU's performance against its main trading partners. It measures the extent to which ideas stemming from innovative sectors are capable of reaching the market, providing better jobs and making Europe more competitive. The proposed new indicator covers technological innovation, skills in knowledge-intensive activities, the competitiveness of knowledge-intensive goods and services, and the innovativeness of fast-growing enterprises. It complements the R&D intensity indicator (3 % target of the Europe 2020 strategy) by focusing on innovation output. It will support policy-makers in establishing new or reinforced actions to remove bottlenecks preventing innovators from translating ideas into successful goods and services.

technologies for Space Projects Source: Internal monitoring			
This indicator is a new approach, therefore no baseline (For FP7 Cooperation projects finished by December 2015: 0,3 patent applications per EUR 10 million funding)	2015: 40 % of the budget is allocated to activities potentially generating patents	54 % (of operational H2020 Space 2014 budget)	3 patent applications per € 10 million funding
Result indicator: Share of projects with activities on the road to innovation measured by the Technology Readiness Level (TRL) indicator²⁶, measured Source: Internal monitoring			
This indicator is a new approach, therefore no baseline	55 % of the 2014 budget to be devoted to projects with a TRL of at least 4 (= demonstration through a trial and/or external input)	51 % of the H2020 Space 2014 budget (when also including projects aiming at development of services)	End 2015: 60 % of the budget for the biannual work programme will be devoted to projects with a TRL of at least 4 (= demonstration through a trial and/or external input)

Main policy outputs for SPACE		
Monitoring of FP7/H2020 contracts managed by the Executive Agency REA Commission Implementing Decision on H2020 Work Programme 2016/2017/Space part – adopted 13 October 2015 (C(2015)6776)		
Main expenditure-related outputs for SPACE		
	<i>Indicator</i>	<i>Target</i>
<i>Launch of calls for proposals:</i> <ul style="list-style-type: none"> • Applications in Satellite Navigation – Galileo • Earth Observation • Protection of European assets in and from 	Successful management of call	Projects to start

²⁶ The TRL index ranges from 1 (basic research) to 9 (market ready application). The target of 4 is to demonstrate that the aim of the programme is to finance projects which intend to innovate. This should not be seen as underrating the value of basic research projects, which actually create pre-conditions for innovation.

space <ul style="list-style-type: none"> • Competitiveness of the European Space Sector: Technology and Science • SME Instrument 		
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Relevant General Objective: To build a society and an economy based on knowledge and innovation across the whole Union by leveraging additional research, development and innovation funding and contributing to attaining R&D targets

Specific Objective 2: To stimulate sustainable economic growth by means of increasing the levels of innovation in SMEs, covering their different innovation needs over the whole innovation cycle for all types of innovation, thereby creating more fast-growing, internationally active SMEs

Baseline	Milestone	Current Situation	Target (2020)
Result indicator: Number of SME receiving directly innovation support services from the activities financed by 'Innovation in SME '			
Source: EASME monitoring			
This indicator is a new approach, therefore no baseline	2000 in 2014 6000 in 2015 7500 further on		45.500

Main policy outputs

European Social Innovation Competition 2015 was launched in March. Selected out of 1,400 applications from over 40 countries, the winners represent this year's theme 'New Ways to Grow'. The judges have selected winners with the potential to increase growth and sustain not only financial value, but also social progress for citizens, government and enterprises alike. The three winners highlight social and environmental issues that concern many Europeans. They address our ageing population, inclusion and accessibility in creative ways.

Implementation and monitoring of the Action Plan on Design-Driven Innovation by Design for Europe continued in 2015. A Summit 'European Growth by Design' was held on 7 May.

Annual opinion poll of businesses or general public on attitudes and activities related to innovation policy.

Public Procurement of Innovation Award 2015 to recognise successful public procurement practices that have been used to purchase innovative, more effective and efficient products or services and the appointment of Public Procurement of Innovation Ambassadors.

Publication of the Innovation Union Scoreboard 2015 (published in July) and European Public Sector Innovation Scoreboard.

Business Innovation Observatory: delivery of ca. 20 case studies on novel business and industrial innovation trends, practices and models; two analytical trend reports based on the evidence from case studies, other analytical sources and business innovation workshops; the organisation of business innovation workshops across Europe with participation of business community, relevant policy makers and other experts.

Regional Innovation Monitor monitors innovation policy developments in EU regions – 3

<p>events organised 'Fields of advanced manufacturing -8 July; Workshop on developing skills for advanced manufacturing 21 October and 'Lightweight Design' on 16 December 2015.</p> <p>Organisation of a conference and workshops on demand-side innovation policy to showcase what demand-side policies can achieve and to develop orientations for Member States and regions on how to implement and evaluate demand-side policy measures.</p>		
Main expenditure-related outputs		
	<i>Indicator</i>	<i>Target</i>
<p><i>Launch of call for proposals:</i></p> <ul style="list-style-type: none"> • Creating a performing ecosystem for SME innovation support with actions resulting in grants: INNOSUP Cluster facilitated projects for new industrial value chains, Peer learning of innovation agencies, Online collaboration <p>Other actions:</p> <p>Financial support for the Enterprise Europe Network partners and IMP3rove (European innovation management Academy)</p> <p>Development of a toolbox and methodologies to support SMEs in capturing innovation impulses from emerging economies</p>	<p>Successful management of call</p>	<p>Call successfully managed with end stage deadline by September 2015</p>

Relevant General Objective: To build a society and an economy based on knowledge and innovation across the whole Union by leveraging additional research, development and innovation funding and contributing to attaining R&D targets			
Specific Objective 3: To achieve a resource - and water - efficient and climate change resilient economy and society, the protection and sustainable management of natural resources and ecosystems, and a sustainable supply and use of raw materials, in order to meet the needs of a growing global population within the sustainable limits of the planet's natural resources and eco-systems			
Baseline	Milestone	Current Situation	Target (2020)
Result indicator: Patent applications in the area of the different Societal Challenges (climate action, resource efficiency and raw materials) Source: Internal monitoring			
<p>New activity under the Horizon 2020, therefore no baseline</p>	<p>2019: On average 2 patent applications per 10 million funding</p>	<p>For FP7 Cooperation projects finished by December 2015: 0,2 patent applications per EUR 10 million funding</p>	<p>On average 2 patent applications per EUR 10 million funding</p>

Result indicator: Share of projects with activities on the road to innovation measured by the Technology Readiness Level (TRL) indicator²⁷ Source: Internal monitoring			
This indicator is a new approach, therefore no baseline	80 % of the 2015 budget to be devoted to projects with a TRL of at least 4 (= demonstration through a trial and/or external input)	90 % of the 2014 budget to be devoted to projects with a TRL of at least 4 (= demonstration through a trial and/or external input)	End 2015: 80 % of the budget for the annual work programme will be devoted to projects with a TRL of at least 4 (= demonstration through a trial and/or external input)

Main expenditure-related outputs		
	<i>Indicator</i>	<i>Target</i>
<p><i>Launch of call for proposals:</i></p> <ul style="list-style-type: none"> • A resource to recycle, reuse and recover raw materials: towards a zero waste society • Growing a low carbon, resource efficient economy with a sustainable supply of raw materials <p>Other actions: Public procurement - Support to EU's raw materials policy</p>	Successful management of call	Projects to start 3 rd quarter 2015

1.3 European satellite navigation programmes (EGNOS and Galileo)

In the period 2014-2020 the Galileo and EGNOS programmes will benefit from a financial envelope of € 7 071 billion. The objective of the Galileo and EGNOS programmes is to provide the EU with independent infrastructure for satellite navigation. The goal is also to ensure that EU industry increases its market share in the worldwide GNSS downstream market as the new generations of high-performance satellite navigation services provide considerable economic opportunities.

In 2015, the Commission took significant steps toward the full implementation of the Galileo programme and the fulfilment of these objectives. Six new satellites were successfully launched into orbit raising the total number of operational satellites to twelve. In terms of the manufacture of satellites, calls for tenders for the last batch of satellites needed to deploy the full constellation and for future system activities were published in 2015, representing an important and delivered milestone.

The kick-off of the 'System Delta Critical Design Review' in December 2015 was also a

²⁷ The TRL index ranges from 1 (basic research) to 9 (market ready application). The target of 4 is to demonstrate that the aim of the programme is to finance projects which intend to innovate. This should not be seen as underrating the value of basic research projects, which actually create pre-conditions for innovation.

key milestone for the 2020 objective of Galileo and the continuity of the Ground Mission Segment and of Ground Control Segment until end 2016 activities was also ensured.

A number of activities took place in 2015 to prepare for initial services by the end of 2016. These included the work of the Task Force (GSA, EC, ESA) to clarify the allocation of tasks in the process leading to the declaration of services; the definition of services, the activities related to the PRS service evolution and PRS implementation, the initiation of the accreditation process for the declaration of initial services, which could take place in the last quarter of 2016.

On uptake and standards, key deliverables included the submission of the file to the International Maritime Organisation to initiate the recognition process of Galileo; the Cospas-Sarsat Council's approval of several documents related to the Galileo Secure and Rescue (SAR) service and endorsement of technical specifications for the "Medium Earth Orbit Local User Terminal" (MEOLUT). This paves the way for an integration of Galileo into the Cospas-Sarsat operational capabilities.

In the area of Research and Development the Delegation Agreement between the EU and ESA on R&D activities on infrastructure was signed, it brings the funding for R&D activities needed for the evolution of the GNSS Programmes and complements the set-up laid down by the GNSS Regulation. The ESA H2020 work plan was submitted to the consultation with the EGNSS Security Board. There is now a comprehensive and consistent approach for the evolution of Galileo and EGNOS.

More broadly the Space EXPO was a major achievement in 2015. An initiative by the European Commission, with support of the European GNSS Agency (GSA) it illustrated the many benefits, services and applications derived from such European space programmes as Galileo, EGNOS and Copernicus in a fun, interactive and accessible way. By June 2015, over 800,000 people had attended Space EXPO demonstrating the huge interest in space and space applications across Europe.

Turning to deliverables from EGNOS in 2015, it contributed through its Safety of Life Service to the reduction of CO2 emissions, in particular of aviation. The EGNOS system enables the landing of planes under difficult weather conditions, thus reducing the number of flight deviations, cancellations and delays. The number of airports with EGNOS procedures went up to 174 in 2015.

The EGNOS Flight Event, organised in collaboration with the European Commission, ESSP, ATR and Airbus, brought together aviation media and other sector stakeholders for a comprehensive briefing and demonstration of EGNOS, how it works and its significant benefits for the aviation sector. Along with flight demonstrations, the event assembled a unique array of EGNOS-experienced players – from pilots to operators, service providers and air traffic managers – to discuss how EGNOS is reshaping the future of air transportation in Europe.

The EGNOS coverage plan was presented to the European GNSS Programmes Committee and has been finalised and presented to the Programme Committee in December 2015

The implementation of the cooperation agreement with Ukraine continued, whereby € 5 million have been made available through the neighbourhood instrument for developing EGNOS in Ukraine. Furthermore, in 2014 the Council authorised the Commission to start negotiations with the Agency for Aerial Navigation Safety in Africa and Madagascar (ASECNA) on EGNOS extension to the ASECNA member countries. The negotiations are currently on-going.

State of play on the general and specific objectives:

General Objective: Supporting European presence in space and the development of satellite services			<input checked="" type="checkbox"/> Spending programme (Galileo)
Indicator: Market share of EGNOS and Galileo enabled receiver models globally Source: GSA			
<i>Baseline</i>	<i>Milestone</i>	<i>Current Situation</i>	<i>Target</i>
EGNOS present in number of receiver models in 2014: 63 %	2016: 75 %	2015: 63 %	2020: 85 % EGNOS
Galileo present in number of receiver models in 2014: 35 %	2016: 45 %	2015: 35 %	2020: 70 % Galileo

Specific Objective 1: To develop and provide global satellite-based radio navigation infrastructures and services²⁸ (Galileo) by 2020			
<i>Baseline</i>	<i>Milestone</i>	<i>Current Situation</i>	<i>Target</i>
Result indicator: Cumulative number of operational satellites Source: ESA's launch calendar			
2013: 4	2016: 11 2017 = 19 2018 = 23	2015: 9 ²⁹	2020: 30
Result indicator: Terrestrial infrastructure deployed version Source: WP2 and WP3 contracts			
Version 1 in June 2011	System Build 1.5.0 in 2016	GMS Version 2.1 in 2015	Target 2018: System Build 1.5.1 ³⁰
Result indicator: Number of services implemented Source: Early service task force			

²⁸ According to the legal base (Regulation (EU) No 1285/2013) the specific objectives of Galileo cover the following 5 services: Open Service (OS), Integrity monitoring Service, Commercial Service (CS), Public Regulated Service (PRS) and the Search and Rescue support Service (SAR)

²⁹ In 2015, the cumulative number of operational Galileo satellites is 9, whereas the total number of satellites deployed in orbit is 12. This difference stems from the following chronological events:

- In 2013, four operational satellites have been launched and used to validate the Galileo system.
- In 2014, one of these four satellites had a technical issue, which prevented the satellite in question to be considered as fully operational. Another two satellites had a launch anomaly in 2014. Currently, their full operational capability is being tested.
- In 2015, differently to the respective milestone, 6 satellites have been successfully launched as all of them are able to deliver full operational capability.

³⁰ The notion of System Build is more complete than the GMS version: it includes all elements of the ground segments while the GMS version only includes the version of the ground mission segment (GMS).

3 initial services by 2016	3 initial services by 2016	0	4 services by 2020
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Main policy outputs		
<p>Delegation Agreement with the European Space Agency (ESA) about GNSS infrastructure-related research and development activities under Horizon 2020</p> <p>Working arrangement between the European Space Agency (ESA) and the European GNSS Agency (GSA) on Galileo exploitation</p> <p>Transfer of ownership of all tangible and intangible assets of the In Orbit Validation (IOV) phase from the European Space Agency to the European Union</p> <p>Start negotiations with US and with Norway on PRS access after getting the mandate for negotiation from the Council, subject to the entry into force of the Common Minimum Standards (CMS) for PRS</p> <p>Annual Activity Report on the implementation of the programmes 2014 – April 2015</p>		
Main expenditure-related outputs		
<i>These outputs will be performed by the Commission, ESA & GSA</i>	<i>Indicator</i>	<i>Target</i>
<p>Provide Galileo services:</p> <ol style="list-style-type: none"> 1. Deploy infrastructure 2. Provide early services for Open Service (OS), Public Regulated Service (PRS) and Search and Rescue Service (SAR) 3. Ensure compatibility and interoperability with relevant systems 4. Ensure the security of the Galileo programme 	<ol style="list-style-type: none"> 1. Timely delivery of space and ground infrastructure 2. Early services declaration 3. Successful discussions 4. Maintain security accreditation for operations and for site infrastructure. Improve the cyber security of the system 	<ol style="list-style-type: none"> 1. Target: By December 2015 (No data available) 2. Target: As soon as possible in the course of 2016 (still on-going) 3. Target: By December 2015 (no data available) 4. By December 2015 and throughout its life time - achieved: security accreditation maintained
<p>Secure return on investment:</p> <ol style="list-style-type: none"> 1. Raise awareness 2. Reinforce market uptake, and standardisation, worldwide 3. Support the development of EU industry 4. Protect frequencies 	<ol style="list-style-type: none"> 1. Successful provision of events, audio visual materials, publications 2. Publication of a new Action Plan on GNSS Applications 3. Successful management of H2020 projects 4. Conclude ITU agreements and preparation of action plan for WRC 2015 	<ol style="list-style-type: none"> 1. Target was December 2015 – achieved: the provision of information material culminated in the successful organisation of the space week in Europe during the course of 2015 2. Target: By September 2015, achieved: a public consultation was launched in June 2016 3. Target: By December 2015 (no data)

		available) 4. Target: By December 2015 (no data available)
Implement European GNSS evolutions: 1. Ensure Galileo evolution	1. Conclude ESA's European GNSS Evolution Programme (EGEP) to Horizon 2020 transition. Preparation of a consolidated Mission Evolution roadmap, a final System Evolution roadmap	1. Target was December 2015: EGEP adopted in March 2015

Specific Objective 2: To provide satellite-based services³¹ improving the performance of GPS to gradually cover the whole ECAC (European Civil Aviation Conference) region by 2020 (EGNOS)) and European neighbouring countries

<i>Baseline</i>	<i>Milestone</i>	<i>Current Situation</i>	<i>Target (2020)</i>
Result indicator: Progress of the EGNOS coverage extension versus agreed coverage extension Source: GSA			
No baseline established yet	Establishment of EU coverage extension plan for EU-28 in September 2014	Coverage extension plan for EU-28 approved by EC in October 2015 and presented to MS in December	Coverage of EU-28 with EGNOS

Result indicator: EGNOS service availability index based on the number of airports with EGNOS-based approach procedures with an operational status versus the total number of airports³² with EGNOS –based approach procedures
Source: GSA

Total number of airports with EGNOS procedures: 150 (2014) Total number of airports with EGNOS procedures with an operational	Continue EGNOS Safety-of-Life service provision and gradually increase the total number of airports with EGNOS-based approach procedures	Service availability index: 99,9 % Total number of airports with EGNOS procedures: 174 (December 2015) Total number of airports with operational status: 163 (December	Maintain the service availability index constantly at least on 99 %
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³¹ According to the legal base (Regulation (EU) No 1285/2013) the specific objectives of EGNOS cover the following 3 services. Open Service (OS), EGNOS Data Access Service (EDAS) and Safety-of-Life Service (SoL).

³² An airport with operational status is that one with EGNOS APV-I availability over 99 % for the related month.

status: 150 (2014) Service availability index: 100 %		2014)	
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Main policy outputs		
<p>Working arrangement between the European Space Agency (ESA) and the European GNSS Agency (GSA) on EGNOS exploitation</p> <p>Ensure the continuation of provision of EGNOS services</p> <p>Conclude the deployment of EGNOS system release v2.4.1M</p> <p>Recommendation for a Council decision authorising the opening of negotiations on an agreement between the EU and Ukraine on the terms and conditions for the provision of satellite-based Augmentation Services in Ukraine based on the European satellite Navigation Programmes EGNOS – postponed to 2016</p> <p>Recommendation for a Council decision authorising the opening of negotiations on an agreement between the EU and Switzerland on the participation of Switzerland in the European GNSS Agency – postponed to 2016</p> <p>Commission delegated Decision on common minimum standards on rules to PRS provided by GNSS – adopted 15 September 2015 (C(2015)6123)</p>		
Main expenditure-related outputs		
<i>These outputs will be delivered by the EU, ESA & GSA</i>	<i>Indicator</i>	<i>Target</i>
Provide EGNOS services: 1. Improve EGNOS Services 2. Enlarge EGNOS Coverage 3. Ensure the security of the EGNOS programme	1. Declare improved EGNOS . upgrade and deploy EGNOS system 2. Update EGNOS coverage extension plan for EU-28 3. Implement security risk reducing measures	1. No data available 2. EGNOS Programme update done in September 2015 3. No data available
Implement European GNSS evolutions: Ensure EGNOS evolution	Prepare the new EGNOS generation (EGNOS V3)	Developed through GSA-ESA Working Arrangement (signed in July 2015) Tender was published 21 December 2015

1.4 Copernicus

The Copernicus programme has a budget of € 4,3 billion over 2014-2020.

The General Objectives is: in the legal base Copernicus has 5 general objectives, which can be summarised as deploying an earth monitoring system to maximise socio-economic benefits and foster the European space industry.

Copernicus has produced substantial direct benefits for Europe's space industry and this continued in 2015. Currently there are with more than 230 suppliers benefitting from € 530 million in ESA contracts, including 48 SMEs.

Sentinel 1-A contributed in particular enhanced maritime safety and security, monitored the environment and climate change and provided support in emergency and crisis situations. In parallel, the Ground Segments for the reception, processing, distribution and archiving of data have been reinforced, so as to handle effectively the unprecedented amounts of data that the system composed of EU-owned satellites, contributing missions and in-situ data will generate.

Copernicus has already been delivering services in cases of natural disasters through the provision of observation data. During 2014, a total of 56 activations of the Emergency Management Service were made, requested 51 Rapid Mapping responses and 5 Risk and Recovery Mappings, and in 2015 a total of 37 activations were made, with 35 requests for Rapid mapping and 2 requests for Risk & Recovery Mappings. Floods and Fires across Europe at various times of the year dominated the activation picture. Examples of international activations during major disasters were the earthquakes in Nepal (April 2015) and Chile (September 2015), and the tropical cyclones in Vanuatu (March 2015), Cape Verde (August 2015) and Mexico (October 2015).

Monitoring by Copernicus of high value biodiversity areas, mapping land cover and vegetation changes have provided essential information for the development, implementation and monitoring of DG ENV and DG AGRI policies. At global level, provision every ten days of information on the state of the environment allowed also the monitoring of crop conditions, essential for DG AGRI which is monitoring the international food market, and for DG DEVCO-ECHO which are monitoring food insecure countries which may need food aid.

As the Copernicus Marine Environment Monitoring Service (CMEMS) has ramped up its operational output to become fully operational over the course of 2015, it has made a significant contribution to "Blue Growth" and European economic development for example through its contribution to marine renewable energy development, the sustainable use of marine resources (fisheries, biodiversity) and the fight against pollution (e.g. Fukushima, Costa Concordia). The number of users regularly accessing the products offered by CMEMS has steadily grown and has now passed the milestone of 5 000 registered users, for the most part from the EU's coastal countries but also from 80 other countries from around the world.

The Atmosphere Monitoring service is now fully operational and supports public and commercial entities that inform European citizens about the air quality now and for the next few days. Other relevant analyses done included for example the latest developments of the Antarctic ozone hole.

The Climate Change service used the UNFCCC COP21 in Paris to improve its visibility. A technical proposal to further expand the climate mission of the Copernicus programme with a CO2 emission monitoring system was made by the Commission and received quite positive feedback from all stakeholders.

On the Infrastructure side, a Copernicus satellite called Sentinel 2-A was launched on 23 June 2015. The early images turned out to be of a quality exceeding expectations. In undertaking such a complex project there have been set-backs. Due to export license issues between Ukraine and Russia, the launch of satellite Sentinel 3-A has been rescheduled for 2016 due to technical problems. However, all efforts have been made to ensure that the rescheduling will not prejudice the planning for the other Copernicus launches to be undertaken during 2016.

The Security Service of Copernicus is designed to provide information in support of the civil security challenges of Europe, improving crisis prevention, preparedness and response capacities, in particular for border and maritime surveillance. In this regard, two different Delegation Agreements for the elaboration of the Copernicus Security Service were concluded in the last quarter of 2015. With the delegation agreement finalised on 10th November, 2015 the European Commission entrusts FRONTEX with the tasks related to the border surveillance component of the Copernicus Security Service.

With the second Agreement, signed by the European Commission with the European Maritime Safety Agency (EMSA) on 3 December 2015 the Agency is entrusted with the operation of the Maritime surveillance component of the Copernicus Security Service. More specifically, EMSA will support the monitoring of the maritime areas, within and outside the EU, using space data fused with other sources of maritime information.

In October 2015, the European Commission and the United States signed the "Copernicus Cooperation Arrangement" which will facilitate data sharing from the Copernicus constellation of Sentinel Earth Observation satellites among a broad spectrum of users on both sides of the Atlantic. The arrangement will include U.S. agencies, like for example the National Aeronautics and Space Administration (NASA), the National Oceanic and Atmospheric Administration (NOAA), and the U.S. Geological Survey (USGS), to cooperate with European counterparts, including the European Commission, the European Space Agency (ESA), and the European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT).

State of play on the general and specific objectives:

General Objective 1			
Monitoring the Earth to support the protection of the environment and efforts of civil protection and civil security			
Indicator: Specific service components corresponding to users' service-level requirements to realise that Copernicus data and Copernicus information is made available for the environment, civil protection and civil security			
Source: Entities responsible for each service			
<i>Baseline</i>	<i>Milestone</i>	<i>Current Situation</i>	<i>Target</i>
The number of service components operational in 2013 = 6	2016 = 5 2017 = 2 2018 = 0 2019 = 1	2015 = 0	To increase the number of service components operational to 14

Specific Objective 1.1: Delivering accurate and reliable data and information to Copernicus users, supplied on a long term and sustainable basis enabling the services referred to in Article 4(1) and responding to the requirements of Copernicus Core Users			
<i>Baseline</i>	<i>Milestone</i>	<i>Current Situation</i>	<i>Target</i>
Result indicator: Number of engaged users showing sustained uptake through registered data download			
Source: Copernicus Delegations			
Recognised users served during pre-operational phase = 1 in 2013	1,5 in 2017	No data available	2
Result indicator: Progression in number of satisfied users³³			

³³ User satisfaction being expressed as percentage of Copernicus users which integrate the service products regularly into their workflows.

Source: Copernicus Delegations

Percentage of returning & engaged users = 0 % in 2013	40 % in 2018	Estimate of 20 % in 2015. A consolidated analysis of user behaviour and statistics is still ongoing, with statistics for 2015 expected in 2016	65 %
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Main policy outputs

Delegation agreements for the:

- Land Monitoring Service (Pan EU and local)
- Atmosphere Monitoring Service and Climate Change Service
- Marine Environment Monitoring Service
- Border Surveillance Component for the Security Service
- Maritime Surveillance Component for the Security Service

Main expenditure-related outputs

Output	Indicator	Target
<p>Emergency Management Service:</p> <p>1. Mapping - Ensure the continuity of the operational mechanism for delivering emergency mapping products during the emergency response phase.</p> <p>2. European Flood Awareness System - operational flood forecast activities for European rivers.</p> <p>3. European Forest Fire Information System - near real-time and historical information on forest fires and forest fires regimes in the European, Middle Eastern and North African regions.</p>	<p>Timely provision of information; Timely provision of processed data</p>	<p>By end 2015</p>
<p>Land Monitoring Service:</p> <p>1. Pan-European Land coverage</p>	<p>Timely provision of information; Provision of parameters; Timely provision of data; Timely provision of</p>	<p>By end 2015</p>

<p>2. European Local Land - Provision of more detailed information on specific areas of interest (eg urban areas, riparian zones, coastal areas, Natura2000)</p> <p>3. Global land coverage – production of a set of biophysical parameters relevant for crop monitoring, crop production forecast, carbon budget, biodiversity and climate change monitoring at global level, as well as additional biophysical parameters relevant for environmental monitoring purposes in non-EU countries.</p> <p>4. Global Land Hot spot monitoring – provision of land cover and thematic information related to environmental EU projects outside EU territory</p> <p>5. Sentinel-2 Pre-Processing - processing of Sentinel-2 data at Level 2 (atmospherically corrected) and Level 3 (spatial/temporal cloud-free composites) will allow the provision of data ready for end user applications</p>	<p>reference data</p>	
<p>Marine Environment Monitoring Service: Provision of regular and systematic information on ocean and marine eco-systems</p>	<p>Provision of data and information according to user requirements</p>	<p>By end 2015</p>
<p>Atmosphere Service: Generating geophysical products and information on the atmosphere</p>	<p>Provision of data and information according to user requirements</p>	<p>By end 2015</p>
<p>Climate Change: Provision of information about the current state of the climate</p>	<p>Provision of information according to user requirements</p>	<p>By end 2015</p>

<p>Security Service:</p> <p>1. The build-up of capacities in FRONTEX to operate border surveillance services</p> <p>2. The build-up of capacities in the European Maritime Safety Agency (EMSA) to operate maritime surveillance services</p>	<p>1. Establishment of capacities</p> <p>2. Establishment of capacities</p>	<p>1. Capacities operational from December 2015 onwards</p> <p>2. Capacities operational from December 2015 onwards</p>
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General Objective 2

Maximising socio-economic benefits, thus supporting of the Europe 2020 strategy and its objectives of smart, sustainable and inclusive growth by promoting the use of Earth observation in applications and services

Indicator: Growth in downstream EO-sector directly benefiting from Copernicus, as a result of progression in number of users, available access to volume of data and added-value information, increased number of downstream services, across Member States and the Union

Source: Service activities

<i>Baseline</i>	<i>Milestone</i>	<i>Current Situation</i>	<i>Target</i>
Expected growth in downstream EO-sector directly benefiting from Copernicus, 2012 employment = 1, representing ~5000 jobs ³⁴	2017 = 1.4	Data not yet available.	Increase growth from 2012 of 1 to 1,8, representing ~9000 jobs

³⁴ Based on EARSC study of 2012.

General Objective 3

Fostering the development of a competitive European space and services industry and maximising opportunities for European enterprises to develop and provide innovative Earth observation systems and services

Market penetration, including expansion of the existing markets and creation of new markets and competitiveness of the European downstream operators
Source: Service activities

<i>Baseline</i>	<i>Milestone</i>	<i>Current Situation</i>	<i>Target</i>
2013 Index=100, representing 5 main fields (agriculture, non-life insurance, oil and gas, water transport, electricity generation from renewable sources) ³⁵	2015 = 105 2017 = 116 2019 = 128	There are no available data on the use of Copernicus by the private sector yet. However, a study has been launched by the European Commission to estimate the socio-economic benefits of Copernicus, with a particular emphasis on market uptake. Results should be published in June 2016.	Increase the market penetration from 100 to 140, representing 7 main fields

Specific Objective 3.1 Providing sustainable and reliable access to spaceborne data and information from an autonomous European Earth observation capacity

<i>Baseline</i>	<i>Milestone</i>	<i>Current Situation</i>	<i>Target</i>
Result indicator: The accomplishment of the space infrastructure in terms of satellites deployed and data it produces Source: Quarterly and Annual implementation reports received from ESA and EUMETSAT			
2013 = 0 satellites 2014 = 1 satellite	2016= 6 2017 = 7	2015 = 2 satellites (3 ³⁶ in early 2016)	The reader is referred to the milestones

³⁵ Based on SpaceTec study of 2012.

³⁶ The launch of one Copernicus satellite has been rescheduled from end 2015 to early 2016 due to technical

	2018 = 7 2019 = 7		
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Main policy output		
Support to the Copernicus space component via the Delegation Agreements signed with ESA and EUMETSAT for the continued development of the dedicated Copernicus satellites (Sentinels)		
Main expenditure-related outputs		
Data dissemination to end users	Number of end-users	Increase number
Provision of Copernicus Contributing Missions (CCM) data to Copernicus Services and other users	Volume of data provided	Increase volume
Contribution to the Space Surveillance and Tracking (SST) Programme	Provision of contribution	By end 2015

General Objective 4

Ensuring autonomous access to environmental knowledge and key technologies for Earth observation and geo-information services, thereby enabling Europe to achieve independent decision-making and action

Indicator: Use of Copernicus data and Copernicus information by Union institutions and bodies for autonomous decision-making
Source: Service activities

<i>Baseline</i>	<i>Milestone</i>	<i>Current Situation</i>	<i>Target</i>
Number of directives and decisions directly invoking the use of Copernicus data in 2013 = 5	2017 = 15	2014 = 5	Increase the number of directives and decisions to 30

Specific Objective 4.1: Providing a sustainable and reliable access to in-situ data, relying, in particular, on existing capacities operated at European and national levels, and on global observation systems and networks

<i>Baseline</i>	<i>Milestone</i>	<i>Current Situation</i>	<i>Target</i>
Result indicator: Sustained availability of in-situ data for supporting Copernicus services			

issues.

Source: Data provided by the European Environment Agency (EEA)			
Services receiving in-situ data 2014 = 2	2016 = 6 2017 = 6 2018 = 6 2019 = 6	2015 = 4	6

Delegation agreement with the European Environment Agency to provide information on land cover in Europe, compiling data from land, air and space was signed in Brussels on 25 May 2015

Main expenditure-related outputs								
Year	2014	2015	2016	2017	2018	2019	2020	
Commitment appropriations in Mio EUR	0,6	2,2	2,25	2,25	2,25	2,25	2	

General Objective 5			
Supporting and contributing to European policies and fostering global initiatives, such as GEOSS			
Indicator: Provision of Copernicus global Earth Observation data to Global Earth Observation System of Systems (GEOSS)			
Source: Service activities			
<i>Baseline</i>	<i>Milestone</i>	<i>Current Situation</i>	<i>Target</i>
Percentage of Copernicus global EO data available through GEOSS in 2013 = 0 %	2018 = 75 % 2016 = 40 %	~10 % for 2014	Increase the percentage to 100 %

1.5 Internal Market

DG GROWTH is the DG in charge for the internal market for products and services, with responsibility over 140 pieces of legislation. The DG achieves very good results in implementation, with timely delivery of its planned actions under the REFIT programme (specific objective 1), effective management of existing enforcement instruments (specific objective 2) and the highest level of acceptance of European standards (specific objective 3). However, reaching the main 2020 target that intra-EU trade in goods account for 25 % of EU GDP by 2020 implies that intra-EU trade in goods increases at least by 0,25 point each year, which is higher than what was achieved in 2012 and 2013. With a new College taking office in November 2014, ex-DG ENTR merged with parts of ex-DG MARKT responsible for the internal market for services into a new DG GROWTH. As highlighted in the 2015 Commission Work Programme, the top priority of DG GROWTH in 2015 was to adopt a renewed strategy for a deeper and fairer internal market.

The Single Market is one of Europe's greatest achievements, designed to allow goods, services, capital and people to move more freely. It offers opportunities for professionals and businesses and a greater choice and lower prices for consumers. It enables people to travel, live, work and study wherever they wish.

But these opportunities do not always materialise, because single market rules are not known, not implemented or simply jeopardised by unjustified barriers. The 2015 report on the single market integration and competitiveness concluded that there are clear signs of economic recovery, but that targeted reforms are needed to restore sustainable growth.³⁷ The report showed that structural, behavioural and regulatory barriers still hinder the overall performance of the single market. Furthermore, the Single Market needs to adapt to reflect today's realities: innovative ideas and new business models must find their place too.

This is the reason why the Commission decided to give a new momentum to the European single market. The actions agreed in the Single Market Package of October 2015, which was prepared under DG GROWTH leadership, will deliver results for:

- Consumers: The Commission will take action to ensure that consumers seeking to buy services or products in another Member State, be it online or in person, do not face diverging prices, sales conditions, or delivery options, unless this is justified by objective and verifiable reasons. The European Commission and European Consumer Centres frequently receive consumer complaints involving unjustified differences in treatment on grounds of nationality or residence.
- SMEs and start-ups: Start-ups contribute a lot to the economy, but a number of entrepreneurs leave Europe, because they cannot bring their innovative ideas to the market. Efforts are under way in the context of the Investment Plan and the Capital Markets Union to ease access to finance for SMEs. In addition, the Commission intends to simplify VAT regulation, reduce the cost of company registration, put forward a proposal on business insolvency and make all information on regulatory requirements accessible in a single digital gateway. The Commission will also work on clear and SME-friendly intellectual property rules and take the final steps needed for the Unitary Patent to become an attractive and affordable way for European companies, including SMEs, to capitalise on their ideas.
- Innovative services: The Commission will develop a European agenda for the collaborative economy. New business models bring benefits to citizens and companies alike and help optimising the use of existing resources. However, questions arise whether existing regulations are still fit for purpose or whether new rules are needed. At the same time, it needs to be ensured that public policy objectives such as consumer protection are respected and tax and labour law complied with.
- Professionals: The Commission will improve the opportunities for businesses and professionals to be mobile across borders. It will improve the recognition of professional qualifications and facilitate the cross-border provision of business services, construction and other services that generate growth. Taken together, these actions will make it easier for companies and professionals to access new markets, allowing them to grow from small national actors into larger European players.

Supporting all this, the Commission will work hand in hand with Member States and market participants to create a real culture of compliance for Single Market rules. Particular attention will be paid to the services sector and to public procurement, which is essential to spend taxpayer money efficiently. The Commission will strengthen mutual recognition to open up more opportunities to companies that want to expand cross-border. It will also reinforce market surveillance in the area of goods to keep non-compliant products from the EU market. And it will propose a market information tool,

³⁷ http://ec.europa.eu/growth/industry/competitiveness/reports/single-market-integration-competitiveness/index_en.htm

which will allow the Commission to collect comprehensive, reliable and unbiased information from selected market players with a view to improve the Commission's ability to monitor and enforce EU rules in priority areas.

State of play on the general and specific objectives:

General Objective: To ensure an open internal market for goods and services conducive to growth and jobs			<input checked="" type="checkbox"/> Non-spending programme
Trade in goods in the internal market as % of GDP			
<i>Baseline</i>	<i>Milestone</i>	<i>Current Situation</i>	<i>Target</i>
Mar 2013: 21,7 %	23 % by 2017	Mar 2014: 21,8 %	25 % by 2020

Relevant General Objective: To ensure an open internal market for goods and services conducive to growth and jobs			
Specific Objective 1: To regularly review existing internal market rules in specific sectors and propose new initiatives whenever appropriate			
Baseline	Milestone	Current situation	Target (2020)
Result indicator 1.1: Timely delivery of the actions announced in the Regulatory Fitness Communication possibly leading to amendments in the legislation (i.e. Fitness Check, Evaluations, Cumulative Cost Assessments and Repeals) Source: COM(2014)368			
<u>Delivered in 2014:</u> 6 REFIT actions <u>Delivered in 2013:</u> 5 REFIT actions	<u>2016:</u> 11 REFIT actions <u>2017:</u> 7 REFIT actions	2 REFIT actions were delivered in 2015	30 REFIT actions to be delivered by 2017

<i>Main policy outputs</i>
<p>Main strategic initiative:</p> <p>CWP 2015 initiative Communication 'Upgrading the Single Market: more opportunities for people and business' – adopted 28 October 2015 (COM(2015)550)</p> <p>Sectoral initiatives</p> <p><i>Chemicals:</i></p> <p>Revision of the Fertilisers Regulation (EC) No 2003/2003. Creating an internal market for all fertiliser materials, including for recyclables through developing and integrating requirements for recovered wastes as part of the Internal Market Regulation – 2015 Simplification</p> <p>Ecodesign requirements for professional storage cabinets, blast cabinets, condensing units and process chillers (completed 5 May)</p> <p>Report pursuant to Art. 16 of the Detergents Regulation on phosphates in consumer automatic dishwasher detergents (completed 29/5)</p> <p>A delegated act and an implementing act laying down implementing rules for Regulation</p>

(EC) No 273/2004 on drug precursors (completed 25 June 2015)

Agricultural products:

Amendment of Art 2(3) of Regulation EC N° 900/2008 – Analysis of Milk fat in processed agricultural products

EEA agreement with Iceland on processed agricultural products

Various technical adaptations (banning or authorisation of substances) pursuant to the Cosmetics Regulation

Automotive:

Enhancing the implementation of the internal market for motor vehicles

Setting out a procedure addressing the durability of replacement pollution control devices

Report concerning technological developments under the General Safety and Pedestrian Safety Regulations

Construction:

Delegated Regulation under the Construction Products Regulation (EU) No 305/2011 (glued laminated timber)

Delegated Regulation under the Construction Products Regulation (EU) No 305/2011 (renders and plasters)

Commission Report on the exercise of delegated powers under the Construction Products Regulation

Other sectors:

Commission implementing decision – Draft mandate on measuring instruments

Commission Directive amending the Directive 2009/43/EC as regards the list of defence-related products

Annual Union work programme for European standardisation for 2016

Aerosol Dispensers Directive – adaptation to technical progress

Commission Implementing Directive on Information on requirements for the use of radio equipment

Annual Report on Animal Testing

Main expenditure-related outputs

Technical assistance in economic/environmental modelling

Information campaign on the Construction Products Regulation (CPR)

Relevant General Objective: To ensure an open internal market for goods and services conducive to growth and jobs

Specific Objective 2: To ensure the correct application of EU law and promote the development and use of innovative European standards

Non-spending Programme

Baseline

Milestone

Current situation

Target (2020)

Result indicator 2.1: Duration of infringement procedures in key areas under DG GROWTH's responsibility as defined in the Governance Communication, COM(2012)259)

Source: Annual report on the Single Market integration, COM(2013)758;			
24.4 months on average (status: 1 October 2014)	21 months on average by end 2015	Data not available at this time	18 months on average by end 2017
35.2 months on average (status: 25 October 2013)			
Result indicator 2.2: Performance in transposing DG GROWTH's directives in the area of internal market into the national legislation (transposition deficit)			
Source: On-line Single Market Scoreboard (edition January 2015),			
0,12 % in November 2014		Data not available at this time	Maximum of 0,5 % transposition deficit for all DG GROWTH's directives
0,2 % in May 2013			
Result indicator 2.3: Number of consultations of the 98/34 and TBT notifications database measuring the awareness among stakeholders			
Source: Commission TRIS and TBT databases			
2008: 100 (baseline index)	Yearly increase of at least 5 %, leading to ca. 635 000 consultations/information in 2016	Data not available at this time	Ca. 770 000 consultations/information in 2020
2013: 177 (equalling ca. 605 000 consultations/information)			
2014: 218 (equalling ca. 673 000 consultation/information p.a.) ³⁸			
Result indicator 2.4: Number of substances for which a risk management option analysis (RMOA) has been concluded and number of substances for which risk management actions have been taken under REACH			
Source: Commission and ECHA websites			
30 substances for which an RMOA has been concluded (5 by ECHA on request of the Commission)	Increase of number of substances for which RMOAs will be conducted,	Data not available at this time	All indicators are related to continuously ongoing processes and cannot be quantified in numbers to be achieved by 2020.
The fourth amendment of the list of substances subject to authorisation (Annex XIV) was adopted in Regulation (EU) No	Inclusion of additional substances in Annex XIV as appropriate.		

³⁸ Proportional projection on mid-November statistics up to the end of year 2014.

<p>895/2014 of 14 August 2014 with the inclusion of 9 substances. The list contains 31 substances</p> <p>Two authorisation decisions adopted (December 2014)</p> <p>Three Restrictions newly included or amended in Annex XVII to REACH (list of substances subject to restrictions) in the course of 2014, bringing the total number of entries in Annex XVII to 64.</p>	<p>Authorisation decisions proposed within legal deadline.</p> <p>Restrictions proposed within legal deadline.</p>		
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Result indicator 2.5: Rate of national transposition of European standards (ENs in support of EU legislation & policies and other ENs)
Source: Reports from European standardisation organisations

<p>Implementation rates reported by the three European standardisation organisations</p> <p>ENs in support of EU legislation & policies:</p> <p>CEN: 99 %, CENELEC: 98 %, ETSI: 94 % (June 2014)</p>	<p>> 95 % implementation rate of European standards at national level</p> <p>End September 2014 CEN: 99 %, CENELEC: 98 %, ETSI: 94 %</p>	<p>Data not available at this time</p>	<p>Close to 100 % implementation rate of European standards at national level</p>
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Main policy outputs

REACH (in co-operation with DG ENV)

Commission Implementing Regulation adapting the fees and charges payable to the European Chemicals Agency to inflation – adopted 28 May 2015

Commission Regulation amending Annex II to REACH on Safety Data Sheets – adopted 29 May 2015

Final report of the study to develop enforcement indicators for REACH and CLP – published 24 April 2015

Commission Regulation to insert new and/or adapt existing test methods in the Test Method Regulation – vote in the Regulatory Committee on 23 September 2014, formal adoption 2nd quarter 2015

Commission Regulation simplifying the authorisation process under REACH for certain cases

Commission Decisions on individual authorisation applications for substances included in

Annex XIV – continuously throughout 2015

Commission Implementing Regulation pursuant to Article 132 REACH addressing the functioning of SIEFs

Adaptations to Technical Progress of Regulation (EC) No 1272/2008 (CLP) 7th ATP – 2nd quarter 2015, 8th ATP – 4th quarter 2015 and Poison Centres Review – 4th quarter 2015

Horizontal initiatives:

Implementation of the New Legislative Framework (Regulation (EC) No 765/2008 and Decision 768/2008/EC)

Implementation of the a multi-annual action plan for the surveillance of products in the EU [COM(2013)76]

Promoting Union trade with third countries through a preventive control of draft WTO members' regulations

Monitor the correct application of the Directive 85/374/EEC on liability for defective products

Main expenditure-related outputs

Translation contract for managing Directive 98/34

Financial Support for the Technical Secretariats of Notified Bodies

Technical Assistance on European Assessment Documents (EAD)

Maintenance and support of the Dangerous Substances database

Provision of operating grant to European cooperation for Accreditation (EA)

Management of the database for notifications

Organisation of seminars at the request of Member States for national administrations to improve the knowledge and correct application of the 98/34 notification procedures

Financial Support for the European Chemicals Agency (ECHA)

Awareness raising campaign on the safe use of chemicals by general consumers Reg. (EC) No. 1272/2008

Standardisation:

Provision of support for the running of the standardisation organisations CEN, CENELEC and ETSI

Provision of support to organisations representing societal stakeholders in European standardisation activities

Management of Eurocodes

Market surveillance:

Management of ICSMS (Information and Communication System on Market Surveillance)

Financial support for joint actions for market surveillance for products

Financial support for Administrative Coordination Groups (ADCOs) for market surveillance for products

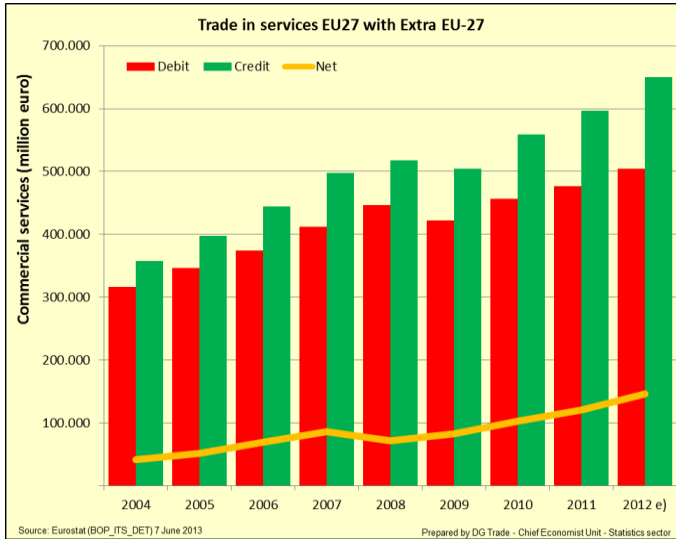
Relevant General Objective: To ensure an open internal market for goods and services conducive to growth and jobs

Specific Objective 3: Citizens and businesses know about and can exercise their Single Market rights swiftly in all Member States

Baseline	Milestone	Current situation	Target (2020)
Result indicator 3.1: Performance of Your Europe public information website in terms of language coverage and number of visits			
Source: Your Europe web portal			
End 2012 7 out of 8 sections in the citizens part fully operational in 22 languages 4,3 million visits/year	End 2014 EU content of all 8 sections complete in 23 languages; 9 million visits/year	End 2015 Full multilingual coverage of sections dedicated to all EU rights for citizens and businesses, including all relevant national information on rules and procedures; 12,2 million visits/year	No target set
Result indicator 3.2: Performance of the SOLVIT on-line problem solving network in terms of number of cases received			
Source: SOLVIT/ IMI application			
End 2012 1238 cases received (within SOLVIT remit) Average case handling time: 69 days	End 2014 2300 (85 % increase) Average case handling time: 74 days	End 2015 2337 Average case handling time: 72 days	No target set
Result indicator 3.3: Performance of the Internal Market Information System (IMI) online application tool in terms of policy areas covered			
Source: IMI application			
End 2012 4 policy areas (professional qualifications, services, posting of workers, euro cash-in transit)	End 2014 9 modules/policy areas (added : train drivers licences, e-commerce, services notifications, patients' rights, SOLVIT)	End 2015 In total 28 IMI modules are available in the system covering 10 policy areas; 7 were officially opened in January 2016.	No target set
Result indicator 3.4: Performance of the Your Europe Advise (YEA) service			
Source: YEA database			
End 2012 18365 in 2012	End 2014 22358 in 2014	End 2015 25569 in 2015 (22044 eligible)	No target set
Two editions of the On-line Single Market Scoreboard, a comprehensive tool to monitor			

performance of Member States regarding governance of the Single Market (1st and 3rd quarter 2015 - 1st edition published in April)

Relevant General Objective: To ensure an open internal market for goods and services			
Specific Objective 4: EU businesses benefit from a regulatory level playing field and consistent market access at international level			
Baseline	Milestone	Current situation	Target (2020)
Result indicator 4.1: Number of on-going trade and investment negotiations between the EU and third countries Source: Internal monitoring			
14 on-going negotiations at different stages with third countries/ regions. In all of them, regulatory aspects particularly for services are becoming more important. (November 2014)		Data not available at this time	Continue and conclude negotiations for FTAs with some of our main trading partners
Result Indicator 4.2: Extent of partner countries' legislative alignment with EU product single market regulations Source: Internal monitoring			
On-going preparations for Agreements on Conformity Assessment and Acceptance of industrial products (ACAAs) with Southern Mediterranean and Eastern Partner countries to eliminate 'behind the border' barriers	Further legislative alignment allowing the opening of ACAA negotiations to extend existing agreements or conclude new agreements	Data not available at this time	Continue and conclude ACAA negotiations with several partner countries to extend the EU single market in industrial products to neighbouring countries
Result indicator 4.3: Level of services exchanges (import & exports) with our key trading partners and their number of liberalised sectors Source: Eurostat			



Commitments undertaken by WTO members in the context of the GATS (General Agreement Trade in Services)

Maintain growth in trade in services
Significant increase in the number of liberalised sectors and depth of liberalisation

Relevant General Objective: To ensure an open internal market for goods and services conducive to growth and jobs

Specific Objective 5: An open, transparent and efficient public procurement in the EU helps tackling corruption, ensures best value for money for taxpayers, creates new opportunities for businesses and reduces bureaucracy

Baseline	Milestone	Current situation	Target (2020)
Result indicator 5.1: Estimated value of tenders published in TED as a percentage of the total value of public expenditures on works, goods and services			
Source: TED (Tenders Electronic Daily)			
17,7 % in 2011 ³⁹ (13,8 % excluding utilities)	13,7 % (excluding utilities)	16,6 % (excluding utilities)	21,4 % by 2017 (16,75 % excluding utilities)
Result indicator 5.2: Level of development of e-procurement, i.e. value of public procurement for which companies submitted offers electronically, divided by the total value of procurement			
Source: TED (Tenders Electronic Daily)			
10,6 % in 2011	20 % in 2015	"Note: at this time, there is no available aggregate figure for EU28 regarding this	100 % in 2018 ⁴⁰

³⁹ Because of the methodological difficulties to obtain reliable data for public procurement carried out by utilities, it has been decided to use from now on an indicator of public procurement on GDP excluding utilities. The target has been adjusted proportionally.

⁴⁰ A legal requirement is introduced by the new Directive of the European Parliament and of the Council on public procurement (transposition deadline concerning e-procurement expires in 2018).

		<p>indicator. Latest report on "e-Procurement Uptake" Final Report 2015 shows that more MS made eSubmission mandatory since 2011 e.g.:</p> <p>Greece: mandatory since 2014.</p> <p>Malta: mandatory since 2013.</p>	
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Result indicator 5.3: Direct and indirect cross-border public procurement above EU Threshold, i.e. percentage of contracts (in number of awards and in values) awarded to bidders registered in a member state different from the one of the contracting authority. Indirect public procurement includes contracts awarded to foreign operators through their affiliates.
Source: TED (Tenders Electronic Daily)

<p><u>Average over a period of 3 years 2007-2009</u></p> <p>Direct cross-border procurement: 1,6 % of the number of awards and 3,5 % of total contract values (TCV)</p> <p>Indirect cross-border procurement through affiliates: 11,4 % of the number of awards and 13,4 % of total contract values (TCV)</p>	<p>No data available in the TED and/or Eurostat statistics (study on cross-border procurement to be carried out in 2015)</p>	<p>Note: Indicator not available at this time. There is an on-going study to be finished by the end of 2016 that will provide this indicator.</p>	<p>Regular increases aiming at a 20 % increase by 2020 compared to the baseline</p>
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Contribution on smart procurement to the CWP 2015 initiative on Internal Market Strategy on goods and services

Legislative action:

Commission Implementing Regulation – update to the standard forms for public procurement

Commission Implementing Regulation on the European Single Procurement Document

Non-legislative action:

Control of implementation and application of procurement law within the EU – Complaints and Infringements procedure

Accession of new countries to the WTO Government Procurement Agreement (New

Zealand and Montenegro joined until July 2015)

Guidance for contracting authorities on how to use green procurement, how to include social considerations in public procurement, how to buy innovative goods and services

Code of Best Practices for SMEs

Development of a sectoral and geographically selective enforcement policy including preparation of specific country strategies

Development of relevant indicators for detecting possible corruption practices in public procurement

Commission contribution to the June May 2015 European Council on Defence including a Roadmap on security of supply (issue discussed at the May Council on Defence)

Set up an interactive web platform/Wiki for Multi-stakeholders forum on end-to-end e-procurement

Set up of interactive web/platform for exchanges between national authorities related to the transposition of EU public procurement directives and its adequate implementation

Development of e-procurement national strategic action plans, inserted in the relevant national country strategies

Relevant General Objective: To ensure an open internal market for goods and services conducive to growth and jobs			
Specific Objective 6: A smoothly functioning Intellectual Property (IP) infrastructure in the EU stimulates growth and job creation as well as dissemination of innovative products and services in the Single Market			
<i>Baseline</i>	<i>Milestone</i>	<i>Current situation</i>	<i>Target (2020)</i>
Result indicator 6.1: Contribution of IP intensive industries to EU GDP Source: OHIM/Eurostat/EPO			
39 % of EU GDP during the period 2008-2010	No milestone to be fixed since the aim is to increase the proportion of the relevant EU GDP over time. New figures expected in 2015 to be supplied by OHIM	Data not available at this time	Increase the contribution of IP intensive industries to EU GDP
Result indicator 6.2: Contribution of IP intensive industries to EU employment Source: OHIM/EPO/GROW			
35 % of EU employment (direct or indirect) during the period 2008-2010	No milestone to be fixed since the aim is to increase the proportion of the relevant EU employment over time. New figures expected in 2015 to be supplied by OHIM	Data not available at this time	Increase the contribution of IP intensive industries to EU employment

Main outputs

Staff Working Document on better valorisation of IPRs in the Internal Market
 First biennial Commission Report on the contribution of IP to the EU economy
 Establishment of a guide of best practice to help public authorities avoid purchasing counterfeit products

Relevant General Objective: To ensure an open internal market for goods and services conducive to growth and jobs

Specific Objective 7: The EU's regulatory framework fosters growth and jobs, including through mobility in the EU, and supports delivery of quality services for all consumers at affordable prices, regardless of the technology used in their delivery

<i>Baseline</i>	<i>Milestone</i>	<i>Current situation</i>	<i>Target (2020)</i>
Result indicator 7.1: Performance of Points of Single Contact (PSCs) by majority of Member States (as measured in the Single Market Scoreboard) Source: Single Market Scoreboard			
2013: - number of Member States in low performance category: 2 - number Member States in high performance category: 7 Number of Member States in middle performance category: 18	The reader is referred to the target	- number of Member States in low performance category: 8 - number Member States in high performance category: 4 Number of Member States in middle performance category: 16	- no Member State in the low performance category - increase the number of MS in high performance category (to at least 10)
Result indicator 7.2: Market Performance Indicator for retail markets Source: Commission, Consumer Markets Scoreboard			
2012: 77,51	The reader is referred to the target	Data not available at this time	Annual increase of the MPI
Result indicator 7.3: Share of business and consumers engaged in cross-border e-commerce Source: Eurostat			
Consumers: 12 % in 2013 Enterprises: 15 % in 2013	The reader is referred to the target	Data not available at this time	Annual increase
Result indicator 7.4: Quality standard for intra-EU cross-border mail Source: International Post Corporation, IPC			
In 2012, 19 (out of 28) Member States reached	The reader is referred to the	Data not available at	Year on year, increase the number

the 85 % target for more than half of their outbound mail flows	target	this time	of Member States reaching this target (two additional MS every year)
Result indicator 7.5: IMI usage (i.e. requests for information) between Member State authorities in the context of recognition of professional qualifications Source: IMI data			
End September 2013: 3196 exchanges of information recorded for the 3 first quarters between Member States in the context of professional qualifications (3091 were recorded for the whole of 2012)	The reader is referred to the target	The reader is referred to the target	By end 2015: Increase by least 10 % in the number of exchanges of information. <i>Projections based on historical data</i>
<p><i>Legislative action:</i></p> <p>Commission Implementing Regulation on the European Professional Card for certain professions and the Alert mechanism (completed 25 June)</p> <p>Preparation and publication of an update of Annex V of Directive 2005/36 (regular update of the list of relevant Member States' diplomas eligible for mutual recognition in certain professions)</p> <p><i>Non-legislative action:</i></p> <p>Implementation Report on the Postal Services Directive</p> <p>High Level Group (HLG) on Retail Competitiveness: Report on the implementation of the European Retail Action Plan (ERAP) including a progress report on the HLG Retail Competitiveness (The Retail Competitiveness HLG published its recommendations in July 2015)</p> <p>Co-operation with CEN on the Commission's mandate on horizontal service standards: Identify the potential of horizontal service standards to improve market integration and competitiveness in service sector</p> <p>Facilitate further administrative co-operation between gambling regulators</p> <p>Preparatory work on developing Common Training Frameworks</p>			

2. 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 AOSD reports submitted by the Directors, which include the outcome of internal control monitoring within each Directorate;
- the reports from Authorising Officers in other DGs managing budget appropriations in cross-delegation;
- the reports on control results from entrusted entities in indirect management as well as the result of the Commission supervisory controls on the activities of these bodies;
- the contribution of the Internal Control Coordinator (ICC), including the results of internal control monitoring at DG level;
- the results of ex-ante and ex-post controls;
- the analysis of reported weaknesses and exceptions of the internal control;
- the opinion, the observations and the recommendations reported by the Internal Audit Service (IAS);
- the observations and the recommendations reported by the European Court of Auditors (ECA).

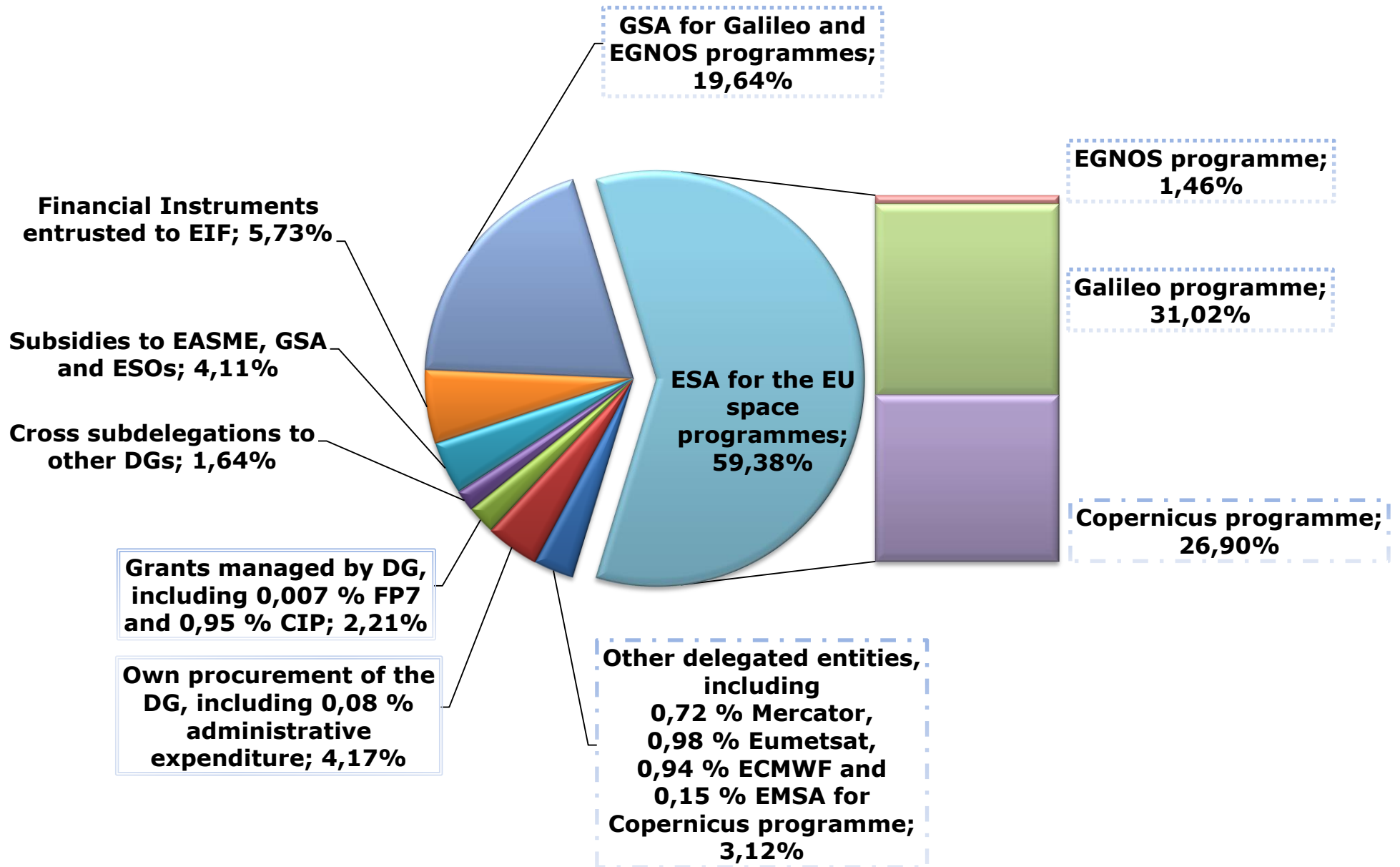
This section reports the control results and other relevant elements that support management's assurance. It is structured into (2.1) Control results, (2.2) Audit observations and recommendations, (2.3) Assessment of the effectiveness of the internal control systems, and resulting in (2.4) Conclusions as regards assurance.

The systems and procedures for data collection available at DG GROWTH in 2015 are historically based on financial accounting and do not allow precise cost accounting reporting. As a result, information related to efficiency and cost-effectiveness of controls provided below is based on the best available information complemented by reasonable yet rough estimations. DG GROWTH manages a large portfolio of heterogeneous activities in various domains, involving different ways of financial intervention. In view of this operations' array, the information on effectiveness, efficiency and cost-effectiveness of controls is presented to eloquently cover an activity by merging and generalising the information for several sub-activities. As a consequence, this information should be treated with caution and particularly when attempting to compare it with other DGs and/or programmes.

DG GROWTH is continuously exploring ways to enhance the collection, classification and recording of data related to the cost and benefits of its individual control activities.

DG GROWTH transactions are carried out under both the direct and indirect management modes. The following chart gives an overview of the types of payments made in 2015⁴¹:

⁴¹ This chart represents the outturn on payment appropriations made in 2015, i.e. € 1 710 million, including the administrative expenditure and expenditure under cross-delegation executed by other DGs. The reader is referred to Table 2 in Annex 3.



In 2015, the largest part of DG GROWTH expenditure was delegated to the European Space Agency (**ESA**) for the implementation of the GNSS (Galileo and EGNOS) and Copernicus space programmes.

With the entry into force of the 2014-2020 Multi-annual Financial Framework, DG GROWTH prolonged its mandate to existing entrusted entities: European GNSS Agency (**GSA**) and the European Environment Agency (**EEA**) by signing new delegation agreements. Moreover, additional new mandates were established with new entrusted entities **Mercator**, the European Centre for Medium-Range Weather Forecasts (**ECMWF**), the European Organisation for the Exploitation of Meteorological Satellites (**Eumetsat**) for Copernicus programme services and infrastructure, as well as with the European Investment Fund (**EIF**) for the management of financial instruments.

In addition, DG GROWTH concluded in 2015 several new delegation agreements: one with ESA on the implementation of Horizon 2020-Framework Programme for Research and Innovation in Satellite Navigation; other with the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (**FRONTEX**) and another with the European Maritime Safety Agency (**EMSA**) for Copernicus security services; and a fourth one with the European Defence Agency (**EDA**) to develop cooperation between the European Commission and the EDA and to finance research and development in the field of the EU's Common Security and Defence Policy.

DG GROWTH also signed a Delegation Agreement with the European Foundation for the Improvement of Living and Working Conditions (**EUROFOUND**) for budget implementation tasks between 2015-2020 in the area of developing and strengthening the future of the manufacturing sector.

DG GROWTH implements its other expenditure under direct management, e.g. CIP and research legacy, EASME subsidy⁴², own procurement.

⁴² It covers the Agency's expenditure on staff and administration incurred as a result of the Agency's role in the management of measures forming part of the Competitiveness of Enterprises and small and medium-sized enterprises programme (COSME).

2.1 Control results

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives⁴³. 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 control systems.

Grants	Procurement	Cross delegations to other DGs	Subsidies	Delegation agreements with EE	Assets	ICO indicators	Independent information from auditors	Reservation
Activity: European satellite navigation programmes (EGNOS and Galileo)								
€ 3 million	€ 2 million	No	€ 23 million	€ 869 million	€ 2 216 million	Annual detected error rate < 2 %	Yes	No
Activity: European Earth observation programme (Copernicus)								
€ 3 million	€ 2 million	€ 9 million	No	€ 511 million	€ 1 686 million	Annual detected error rate < 2 %	Yes	No
Activity: Research relating to enterprises, including FP7 and CIP								
€ 9 million	€ 16 million	€ 2 million	No	€ 23 million	No		Yes	
of which FP7: € 0,117 million		of which FP7: € 1,4 million delegated to RTD		of which FP7: € 1,8 million paid to GSA, which paid € 4,7 million		2,88 % residual error rate for FP7		Yes for FP7
of which CIP: € 7 million						6,21% resulting error after correction for CIP		Yes for CIP

⁴³ Effectiveness, efficiency and economy of operations; reliability of reporting; safeguarding of assets and information; prevention, detection, correction and follow-up of fraud and irregularities; and adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 32).

Grants	Procurement	Cross delegations to other DGs	Subsidies	Delegation agreements with EE	Assets	ICO indicators	Independent information from auditors	Reservation
Activity: Internal market for goods and sectorial policies and services								
€ 12 million	€ 24 million	€ 2 million	€ 11 million	No	No	1,3 % detected overall error rate for Standardisation	Yes	No
Activity: Competitiveness of enterprises and SME, including CIP								
€ 10 million of which CIP: € 9 million	€ 13 million	€ 1 million	No	€ 100 million	€ 164 million	6,21 % resulting error after correction for CIP	Yes	Yes for CIP
Activity: Administrative expenditure								
No	€ 15 million	€ 16 million	€ 36 million	No	No	Annual detected error rate < 2 %	No	No
Total, i.e. coverage								
€ 37 million	€ 71 million	€ 28 million	€ 70 million	€ 1 503 million	€ 4 066 million	'overall' error not meaningful; The reader is referred to sections 2.1.1 and 2.1.1.4	Yes	Yes for FP7 and CIP

Grants	Procurement	Cross delegations to other DGs	Subsidies	Delegation agreements with EE	Assets	ICO indicators	Independent information from auditors	Reservation
Indicators related to internal control objectives								
Time to pay; Time to grant; Time to publication of results; Overall cost of management and control; no cases sent to OLAF; clean opinion on accounts		Management assurance	Time to pay; Total supervision cost / total value of entrusted budget; Cost of remuneration fees paid to entrusted entity; no cases sent to OLAF; clean opinion on accounts	legality and regularity, ⁴⁴ including error rates; positive conclusion on cost-effectiveness of controls; safeguarding of assets; true and fair view of ESA accounts	Yes	No		
Reference to Annex 3 of the AAR								
Overall total = € 1 710 million as per Table 2					Table 4 assets ⁴⁵	Not applicable		

For the 2015 reporting year, the cross sub-delegated AODs, GSA and Executive Agencies have reported reasonable assurance on the delegated budget managed by them on behalf of DG GROWTH, although grants under the 7th Research Framework Programme (FP7) are maintained in DG GROWTH own reservation as explained in sections 2.4 and 3. Thus, as the FP7 aspects touch upon all research family DGs, the FP7 payments made by the GSA and DG RTD have been included in DG GROWTH's own reservation on FP7. In addition, mostly for transparency reasons, DG GROWTH undertakes the most conservative approach and makes a new reservation on CIP, as explained in section 2.1.1.3 (C).

Notwithstanding this, no serious control issues were signalled by these services. From the monitoring and supervision work done, which includes regular contacts and monitoring of relevant management reports and audit reports, there are no indications that their reporting would not be reliable.

In terms of supervision of those entities as described below, the control cost is relatively limited. With regard to ESA, the Commission has reasonable assurance that the control mechanisms supporting the Agency's financial reporting about the implementation of the space component of the Copernicus programme and about the implementation of the EU satellite navigation programmes (EGNOS and Galileo) is reliable. Overall, the cost of monitoring and supervision controls of ESA, including the new delegation agreement signed and other international organisations, for the implementation of the space programmes represents 0,53 % of the total annual amount delegated.

⁴⁴ Except for FP7 and CIP grants. The reader is referred to sections 2.4 and 3.

⁴⁵ In particular, A.I.1. Intangible Assets and A.I.2. Property, plant and equipment for European Satellite Navigation and A.II.7. Cash and Cash Equivalents for Copernicus.

In 2015, DG GROWTH continued the application of its monitoring and control strategy towards ESA and continued auditing all financial reports provided by the Agency.

The asset management fee paid for the fund management of the Financial Instruments capital is set up and monitored according to the relevant Service Level Agreement and Delegation Agreement.

The performance of the DG in terms of supervision of the cost-effectiveness is considered adequate.

Consequently, in view of the residual responsibility as "Parent DG" for the indirect management of parts of our budget sub-delegated to the AODs, Executive Agencies and Entrusted Entities mentioned above, it could be concluded that there are no control weaknesses affecting assurance in terms of the 5 Internal Control Objectives except for the indirect management of grants under the 7th Research Framework Programme (FP7) entrusted to DG RTD and GSA. The reader is referred to sections 2.4 and 3.

Regarding, the EU funds managed directly by the DG via grants and procurement, including the administrative related expenditure, it could be equally concluded that there are no major control weaknesses affecting assurance in terms of the 5 Internal Control Objectives except for the direct management of grants under the 7th Research Framework Programme (FP7) and CIP. The reader is referred to sections 2.4 and 3.

The coverage of the Internal Control Objectives and their related main indicators are represented in greater detail as follows:

2.1.1 Control effectiveness as regards legality and regularity

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

The control objective is to ensure that the residual error rate or the risk of error does not exceed 2 % cumulatively by the end of the programme implementation or annually, depending from the distinct control system, as determined in the materiality criteria in Annex 4.

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.

The financial controls carried out contribute to the compliance with the legality and regularity of the transactions and to the protection of the EU financial interests as any error detected will be corrected. In addition, they produce an important learning effect both for the beneficiary and for the Commission as they provide essential knowledge and understanding of any potential risks. It has a significant deterrent effect on beneficiaries with fraudulent intentions and contributes to the continuous review and improvement of internal control processes.

2.1.1.1 Budget implementation tasks entrusted to other DGs and entities, i.e. 93 % of 2015 payments

DG GROWTH exercises supervisory controls on the budget implementation tasks carried out by other Commission DGs and entrusted entities distinct from the Commission, as follows:

Entrusted Entities regrouped per Type Programme under which the funds have been delegated	Amount delegated in 2015 (in € million)
INTERNATIONAL ORGANISATIONS	
Budget Delegation to the European Space Agency (ESA) GNSS and Copernicus Space programmes	1 015,376
Budget Delegation to Mercator, Eumetsat and ECMWF Copernicus programme	45,175
AGENCIES	
Budget Delegation to GNSS Supervisory Agency (GSA) GNSS programme	358,658
Budget Delegation to the FRONTEX and EMSA Copernicus programme	5,500
European Defence Agency (EDA)	0,455
Executive Agency for Small and Medium-Sized Enterprises (EASME)	36,388
European Foundation for the Improvement of Living and Working Conditions (EUROFOUND)	1,600
SPECIALISED UNION BODY	
Budget Delegation to EIF Financial Instruments under the COSME programme	97,976
OTHER COMMISSION SERVICES	
Cross-sub-delegations to other Commission services	28,053

DG GROWTH has entrusted the majority of its budget implementation to other Commission services, Executive Agencies, decentralised Agencies and other Entrusted Entities. In all these cases, the DG's supervision arrangements are based on the principle of intensive controlling of the relevant entity and where applicable participation in the entities' steering committees. For details, the reader is referred to ICT on indirect management in Annex 5.

With the entry into force of the 2014-2020 Multi-annual Financial Framework, DG GROWTH renewed its mandate to existing entrusted entities by signing new delegation agreements. Moreover, additional new mandates were established with new entrusted entities, i.e. **Mercator**, **ECMWF**, **Eumetsat**, for Copernicus programme services and infrastructure, as well as with the **EIF** for the management of financial instruments.

In addition in 2015, DG GROWTH concluded new delegation agreements with: **ESA** on the implementation of Horizon 2020-Framework Programme for Research and Innovation in Satellite Navigation; **FRONTEX** and **EMSA** for Copernicus security services between 2015-2020; and with **EDA** for a pilot project for enhancing the research in the field of the EU's Common Security and Defence Policy.

DG GROWTH also entrusted to **EUROFOUND** budget implementation tasks amounting to maximum € 2 million between 2015-2020 for developing and strengthening the future of the manufacturing sector.

(A) European Space Agency (ESA), i.e. 59,38 % of 2015 payments

In 2015, the biggest part of DG GROWTH expenditure was delegated to the European Space Agency (ESA) for the implementation of the GNSS (Galileo and EGNOS) and Copernicus space programmes.

The elements that support the assurance on the achievement of the control effectiveness as regards legality and regularity are two types:

- **ESA's control results and/or assurance:**
 - ***Opinion of the external auditor***

An Audit Commission acting as ESA's independent external auditor acknowledged the significant progress made by the Agency in addressing previous audit recommendations stemming from the qualified audit opinions on the 2010 and 2011 financial statements.

The ESA's external Audit Commission gave an unqualified opinion on the Agency's 2012, 2013 and 2014 financial statements, as ESA made significant improvements and achieved full compliance with the International Public Sector Accounting Standards (IPSAS).

- ***Statement of Internal Control of the Director-General***

A Statement of Internal Control has been produced by ESA's Director-General confirming that the internal control system in place during 2013 provides reasonable assurance of achieving its operation, reporting and compliance objectives.

- ***Reporting quality control at ESA***

In order to minimise any potential errors in the Annual Financial Reports submitted to the European Commission, the Agency developed a quality control on its reporting. All reports are verified by the Agency's Compliance Office before submission. Following several audits performed by the European Commission and the European Court of Auditors, the quality of the reports was significantly enhanced.

• **AOD's own monitoring/supervision results on the ESA's operations:**

- ***Results of the audits of the 2014 reports***

The DG GROWTH ex-post control team continued to audit all annual financial reports (AFRs) submitted by ESA. In 2015, the audits on the 2013 financial reports have been finalised and the audits on the 2014 reports were launched and some closed in early 2016. Overall detected error rate for ESA transactions under indirect management is not material, i.e. 0,66 %. The reader is referred to Annex 6 for a breakdown per programme.

- ***Implementation of corrections***

The results of the previous financial audits are being implemented. These corrections are made at the time of the annual clearing of pre-financing payments to ESA. It can be concluded that the residual error rate is at a level far below the 2 % materiality threshold.

- ***Monitoring***

Errors detected in the Annual Financial Reports have **no impact** on the legality and regularity of the amounts paid to ESA, because amounts paid depend both on costs declared and on cash-flows forecasts. In the framework of the regular working arrangement and top level meetings between the DG and ESA, DG GROWTH closely monitored ESA's progress with the implementation of the programmes and the related reporting.

GNSS Programme, i.e. 32,48 % of 2015 payments

For the management of the EGNOS and Galileo programmes, the European Commission and the European Space Agency (ESA) had signed Delegation Agreements on the related procurement activities, project management, system prime activities and design tasks to ESA. For procurement, the European Commission is represented by ESA who acts as its procurement agent by

delegation. The Internal Control Template (ICT) for indirect management in Annex 5 demonstrates how the control system in place in the DG addresses the risks related to this type of expenditure.

Galileo is implemented through procurement procedures delegated to ESA for which, however, the European Commission remains the contracting authority. In implementing the tasks delegated to it under this agreement, ESA applies the EU procurement rules and its own audit, accounting and internal control rules and procedures which offer guarantees equivalent to internationally accepted standards. This was confirmed by the positive results of an externalised re-assessment of ESA's control systems finalised in May 2012 and confirmed by a new assessment performed in 2013 following the entry into force of the Commission's new Financial Regulation and ESA's financial reform. In addition, a new ex-ante assessment was finalised early 2014, covering the pillars identified in Article 60.2 of the EU Financial Regulation.

Transfers of funds to ESA are based on annual and quarterly reports submitted by ESA together with forecasts of cash-flow needs for the next period, all of which are checked before payments are made. In addition, on a yearly basis, all costs reported by ESA are verified by means of on-the-spot checks. In view of the multiannual perspective, the annual implementation reports of ESA for 2015 are due in 2016 and will only be considered for the clearing of the related pre-financing once the ex-post audit will be finalised. They will be covered in the Annual Activity Report for 2016.

In addition, DG GROWTH entrusted in 2015 to ESA the implementation of Horizon 2020-Framework Programme for Research and Innovation in Satellite Navigation for the period 2016-2020. The entrusted tasks are related to GNSS evolution, infrastructure-related research and development activities within the activity "Space", whereas research and development of GNSS applications are outside the scope of the DA. The entrusted funds amount to € 230 million as indicative total maximum amount of contributions from the European Union. No financial transactions were executed in 2015.

Copernicus Programme, i.e. 26,90 % of 2015 payments

For the management of the Copernicus programmes, the European Commission and the European Space Agency (ESA) had also signed Delegation Agreements, where the ESA applies its own audit, accounting, internal control and procurement rules and procedures which offer guarantees equivalent to internationally accepted standards. The transfers of funds to ESA are based on annual and quarterly reports submitted by ESA together with forecasts of cash-flow needs for the next period. On a yearly basis, actual expenditure on costs reported by ESA, is verified by means of on-the-spot checks.

(B) Other international organisations, e.g. ECMWF, MERCATOR and EUMETSAT

In 2015 only pre-financing payments were made to these international organisations under the respective delegation agreements and the respective implementation reports will follow. As consequence, assurance by the entrusted entity will be provided either following dedicated audits to be carried out by DG GROWTH or in the form of a management declaration, stating that the information is properly presented, accurate and complete, and that the funds are used for the purpose identified in the agreement. In addition, this declaration would ascertain that the controls provide the necessary guarantees concerning legality and regularity.

Copernicus Services

In line with the Copernicus Regulation, delegation agreements for Copernicus Services are concluded with the European Centre for Medium-Range Weather

Forecasts (ECMWF) covering Atmosphere Monitoring and Climate Change Services and with Mercator-Océan for the Marine Environment Monitoring Service.

Copernicus Infrastructure

In line with the Copernicus Regulation, delegation agreement is concluded with the European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT). According to its mandate and expertise, EUMETSAT has been entrusted with the operations of dedicated satellites and instruments – Jason-3, Sentinel 3 for marine observations and Sentinels 4, 5 and 6 – and the respective ground segment, including the distribution and dissemination of Copernicus data.

(C) Agencies

Decentralised Agencies

Besides the above Delegation Agreements, similar agreements are concluded with the **GNSS Supervisory Agency (GSA)** in the area of GNSS exploitation activities. DG GROWTH also delegates to GSA the implementation of FP7 and Horizon 2020 funds. The total operational funds transferred to the Agency in 2015 amount to € 335,9 million, of which € 1,8 million are FP7 funds, whereas the agency executed € 4,7 million FP7 payments based also on previous transfers. The latter is included in the exposure of the FP7 reservation. The reader is referred to sections 2.4 and 3.

In complement to the above, DG GROWTH also paid a subsidy to the GSA to cover the administrative costs, i.e. € 22,8 million in 2015, incurred by the agency. Accountability for the legality and regularity of this expenditure resides ultimately with the agency itself, which is audited separately by the ECA.

In addition, the GSA carries out ex-post audits on the budget delegated to it by DG GROWTH for FP grants. Notwithstanding the fact that the GSA's beneficiaries' inherent risk profile appears lower than average based on the results of their non-representative audit sample, DG GROWTH included the amount of FP7 payment made in 2015 by the GSA from budget delegated to it by DG GROWTH in the FP7 reservation and calculation of the amount at risk. The reader is referred to section 2.4 and 3.

In March 2016, the GSA submitted to DG GROWTH the results from the audited Annual Implementation Reports for 2015 on the exploitation of GALILEO and EGNOS programmes and on the implementation of HORIZON 2020. According to the external auditor's opinion, (i) the financial information is, in all material respects, properly presented, complete and accurate; (ii) the expenditure was used for its intended purpose and (iii) accounted for in compliance with the respective contractual obligations.

In addition, as further substantiated through audits on the management control system put in place by the GSA for the implementation of the Delegation Agreements on the exploitation of GALILEO and EGNOS programmes and the implementation of the Horizon 2020 and based on the respective management Declarations of Assurance, which were submitted in February 2016 by the GSA, DG GROWTH has the necessary guarantees concerning the legality and regularity of the related underlying transactions.

It is worth mentioning that in 2015 the GSA managed to implement two out of six recommendations stemming from the audit on the internal control strategy of the GNSS Supervisory Agency (GSA) over the budget delegated by the DG. The reader is referred to section 2.2.

Based on the declaration of assurance provided by the executive director of the GSA, DG GROWTH considers the implementation of the delegated funds to be legal and regular, except for the FP7 grants, which are maintained to be included in DG GROWTH own reservation as explained in sections 2.4 and 3.

In relation to the Delegation Agreements with the **European Environment Agency (EEA)** on the support of the implementation of the Copernicus land monitoring service, DG GROWTH did not execute payments to GSA in 2015. However, one of the FP7 grant payments executed under direct management by DG GROWTH was transferred namely to EEA as a grant beneficiary. The latter is covered by the reporting on FP7 funds directly managed by DG GROWTH in section 2.1.1.3 (A).

In the context of the Copernicus programme, the new Delegation Agreement signed in 2015 with the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (**FRONTEX**) will enable the implementation of the border surveillance component within the framework of the Copernicus Security Service. Accordingly, DG GROWTH entrusts € 45,6 million operational funds for the period 2015-2020, which will enable the development and the implementation of the portfolio of border surveillance services for land, maritime and environment. To this end, DG GROWTH has executed a pre-financing payment of € 3 million in 2015.

Within the same programme, the new Delegation Agreement signed in 2015 with the European Maritime Safety Agency (**EMSA**) will allow for the normal functioning of the other leg of the Copernicus Security Service, i.e. the maritime surveillance component. Accordingly, DG GROWTH entrusts € 38,2 million operational funds for the period 2015-2020, which will enable the implementation of the following thematically defined subservices: Fisheries Control, Defence, Maritime Security and Safety, Customs, General Law Enforcement. To this end, DG GROWTH has executed a pre-financing payment of € 2,5 million in 2015.

The Delegation Agreement with the European Defence Agency (**EDA**) concerns a pilot project of DG GROWTH for enhancing the research in the field of the EU's Common Security and Defence Policy. This multiannual project is within € 1 million, whereas DG GROWTH has contributed to it with a pre-financing of € 0,455 million in 2015.

The supervision of these agencies is described in detail in Annex 8, together with that of the European Chemicals Agency (**ECHA**), of which DG GROWTH is also parent DG, but which did not receive a subsidy in 2015 as it generated sufficient own income.

In 2015, DG GROWTH signed a new Delegation Agreement with **EUROFOUND** for € 2 million for the period between 2015-2020 in order to receive support in developing and strengthening of the future of the manufacturing sector. In 2015, DG GROWTH transferred 1,6 million as pre-financing for that purpose.

Executive Agencies

In the policy domain of the DG GROWTH, the programme management is supported by two executive agencies: the Executive Agency for Small and Medium-sized Enterprises (EASME) and the Research Executive Agency (REA). These two agencies respectively manage the former MFF legacy actions under the Entrepreneurship and Innovation Programme (EIP) and the Space Themes of the Seventh Framework Programme for Research (FP7) as well as parts of the new MFF programmes COSME and Horizon 2020.

DG GROWTH only supervises the control systems⁴⁶ of these agencies in the context of their direct delegations as AOD. Both agencies performed their ex-post audits in the context of a common audit strategy. The executive agencies' control results are either in line with those within the policy family or are slightly modified to correspond to the different profile of its sub-population of beneficiaries. EASME and REA produce their own

⁴⁶ The control systems of the Executive Agencies are similar to those of their parent DGs.

AARs. EASME's 2015 AAR contain one reservation on the Intelligent Energy Europe II 2007-2013, however, on budget delegated by DG ENER. REA made reservations in two areas of their operational budget, i.e. 'FP7 Cooperation Specific Programme – Space and Security themes' and 'FP7 Capacities Specific Programme – Research for the benefit of SMEs', which is in line with the reservation made by DG GROWTH, namely the reservation on the accuracy of FP7 grant cost claims.

In its capacity of parent DG, DG GROWTH pays to EASME's administrative budget. The consumption of this administrative budget is duly monitored, and after the final closure of EASME's accounts, any surplus will be recovered pro-rata by the agency's parent DGs. The subsidy to REA is paid fully by DG RTD and therefore it is not covered in this report.

The supervision of the Executive Agencies continued throughout 2015. The preparation of the Annual Activity Reports of these Agencies was coordinated and reviewed by DG GROWTH and the Steering Committees of the Agencies. No unexpected issues arose which would need to be raised in this report.

Overall, DG GROWTH considers that its supervision of Executive Agencies is effective and appropriate.

(D) Specialised Union bodies, i.e. 5,73 % of 2015 payments

In line with the Financial and Administrative Framework Agreement (FAFA) between the EU and the European Investment Fund, the COSME Delegation Agreement (DA) entrusts budget implementation of the COSME financial instruments to the EIF. The DA covers the implementation of the two financial instruments under COSME, i.e. the Loan Guarantee Facility (**LGF**) and the Equity Facility for Growth (**EFG**).

As a consequence of the changes in scope of the pillar assessment introduced by the current Financial Regulation (FR), a 6 pillar assessment of the EIF was carried out in 2015, providing reasonable assurance to the Commission that the EIF meets the requirements of Articles 60 and 61 of the FR and confirming that the EIF can be entrusted with budget implementation tasks under indirect management.

Controls during the implementation of the COSME financial instruments relate to the selection of financial intermediaries, fund allocation between the LGF and the EFG, remuneration of the EIF, assessment of the effectiveness and efficiency of the internal control systems as well as the follow-up of any observations by internal or external auditors. The respective LGF and/or EFG steering committees will ensure that the policy objectives are met and will regularly review the progress of implementation. The reader is referred to Annex 5 ICT on Financial Instruments for details on the control strategy.

In March 2016, the EIF submitted to DG GROWTH the results from the audited Financial Statements for 2015 of both LGF and EFG. According to the external auditor's opinion, the Financial Statements of both LGF and EFG are prepared in all material respects in accordance with the respective accounting rules.

Based on the audited financial statements provided for the COSME financial instruments and as further substantiated through the risk and performance report provided by the EIF for the assets under management, the AOD has the assurance that the balance on the respective fiduciary accounts for the LGF and the EFG, including the treasury assets, are managed in accordance with the Delegation Agreement. In addition, based on the management Declarations of Assurance on both financial instruments and the respective reports on audits and controls, which were submitted by the EIF in February 2015, DG GROWTH has a reasonable assurance in all material aspects that the EU funds transferred to EIF are used for the intended purposes, including regarding legality and regularity.

DG GROWTH considers that the operational and financial reporting requirements set out in the DA provide sufficient and relevant information and figures to ensure sound and

efficient management of the policy aspects of these financial instruments. It is worth mentioning that in 2015 the DG GROWTH managed to implement two outstanding desirable recommendations stemming from the audit on the COSME financial instruments. The reader is referred to section 2.2.

(E) Cross Sub-delegations, i.e. 1,64 % of 2015 payments

1,64 % of the amounts paid in 2015 from DG GROWTH budget lines were authorised under co-delegation and cross delegation to other DGs.

The amounts co-delegated, i.e. € 17,4 million, relate to services for which the Commission as a whole has decided to use the available Commission services: Pay Masters' Office (PMO), Publications Office (OPOCE), DG for Informatics (DIGIT), DG Human Resources and Security and Secretariat-General of the European Commission. Given that these Commission services duly report on these costs in the same manner as the relevant Authorising Officers by delegation such payments are mentioned, but not reported in detail in this AAR.

The Director-General of DG GROWTH remains ultimately accountable, however, for the amounts sub-delegated, i.e. € 10,7 million, to other Commission services, even though the legality and regularity of the transactions implementing this budget is ensured by the management and internal control systems put in place by the Authorising Officers to whom the funds were sub-delegated. The reader is referred to a detailed list in Annex 10.

The conditions for granting a cross-delegation of powers are set out in Article 12 of the Internal Rules on the implementation of the general budget of the EU. Each year the delegatee must report to the delegator on the projects and activities for which s/he received a sub-delegation. These reports include a description of the work programme, the objectives for the period and the results achieved; the utilisation of the financial resources; the risks linked to the management of these activities, signalling any relevant issues; and the operation and application of their internal control system.

For 2015, the reports received by DG GROWTH from the DGs to which it sub-delegated funds provided reasonable assurance on the regularity and legality of transactions. Nevertheless, for reasons of prudence, the amount sub-delegated to DG RTD relates to FP7 projects, which are subject to a reservation of DG RTD and, therefore, this sub-delegated is included in DG GROWTH own reservation. The reader is referred to section 2.4. and 3.

2.1.1.2 Procurement, i.e. 4,1 % of 2015 payments

Procurement under direct management represents 4,1 % of the total 2015 DG GROWTH expenditure. The Internal Control Template (ICT) n°3 for procurement in Annex 5 demonstrates how the control system in place in the DG addresses the risks related to this type of expenditure. In 2015, 34 contracts with a value exceeding € 60,000 were awarded directly by DG GROWTH, representing a total contract value of € 60,1 million. The reader is referred to Annex 3, tables 11 and 12. 1,3 % of this amount was awarded following a negotiated procedure with publication and 10,4 % without publication.

This does not include, however, contracts signed by the European Space Agency (ESA) in the name and on behalf of the Commission under ESA Delegation Agreements. As mentioned in 2.1.1.1, the GNSS programme is executed principally by ESA as delegated procurement agent, signing contracts on behalf and in the name of the Commission, under indirect management.

The risks related to public procurement are effectively mitigated by means of independent ex-ante verifications. Tender documents need approval by the independent experts of the Financial Resources and Internal Control Unit before they are allowed to be published. Tenders are evaluated by evaluation committees, as foreseen by the Financial

Regulation. The absence of conflicts of interest of the evaluators is ensured. Evaluation reports also need approval by the independent experts of the Financial Resources and Internal Control unit before the authorising officer takes the award decision. For high value procurements, an ad hoc committee of senior officials examines the evaluation report before the award decision can be taken. All procedures are documented in detail in the DG GROWTH Manual of Budgetary and Financial Procedures. Before any payment is completed, the timely execution of the contract is checked and a financial verification is performed. All errors detected are corrected. Materiality is defined as 2 % of the payment appropriations of the ABB activity. For the contracts signed by ESA on behalf of the Commission tender documents are not checked ex-ante, but the verification of the evaluation report and the award decision is done.

The following indicators demonstrate the effectiveness of the internal control system in relation to procurement:

Key DG indicators on control <u>effectiveness</u>	DG results for the reporting year
Complaints received from unsuccessful economic providers	1
Number of cases received by the Ombudsman per year relating to procurement procedures	0
Number of legal proceedings initiated by contractors or economic providers against the Commission relating to procurement procedures	0
Number of instances of overriding of controls in relation to procurement procedures	1
Past due critical and/or very important audit recommendations	0

The procurement procedures applied in DG GROWTH involve a number of specific controls, which are fully in line with the applicable regulatory requirements. The benefit of these specific controls provides assurance on legality and regularity, transparency, equal treatment and proportionality of the public procurement and mitigates the risk of reputational damage.

Given the low error rate there are no indications that a higher level of checks and controls would produce any supplementary benefits.

2.1.1.3 Grants, i.e. 2,21 % of 2015 payments

DG GROWTH 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.

In 2015, DG GROWTH budget was implemented through grants under several heterogeneous grants related to the research, space programmes, internal market, COSME 2014-2020, CIP, Standardisation, pilot projects and preparatory actions.

Whereas, DG GROWTH applies consistently controls to all grants in line with its procedures, the available ex post controls for grants were dedicated to those grant payments, which have greater portion of the budget managed by the DG. For 2015, the two biggest stands are CIP grants with 0,95 % and standardisation grants with 0,67 %. All other grant payments represent less than 0,6 %, in total and individually, from the total payments executed by the DG in 2015. The reader is referred to section 2.1.1.4.

Key DG indicators on control <u>effectiveness</u>	DG results for the reporting year
Percentage of calls for proposals successfully concluded within the year following their publication in the DG's Management Plan/Work Programme	83 %
Percentage of successful redress procedures ⁴⁷ following evaluations of proposals	0 % (i.e. no redresses)
Value of errors detected in cost claims through targeted risk-based in-depth <i>ex ante</i> desk checks to EU contributions before being paid by the DG to beneficiaries	€ 637 657
Percentage of the errors value detected in comparison to the total value of cost claims being desk-checked	1,82 %
Value of corrections to cost claims implemented by means of recovery ⁴⁸ and offsetting ⁴⁹	€ 903 851 via recoveries € 452 736 via offsetting
Number of ex-post audits finalised in 2015:	12
Key DG indicators on control <u>effectiveness</u>	Multiannual Results
<u>FP7 Research grants</u>	
Representative Error Rate from the common research audit sample (CRaS) ⁵⁰ :	4,47 %
Research Residual Error Rate (RER) ⁵¹ :	2,88 %
<u>Other grants</u>	
<u>% of population covered:</u>	
CIP:	21 %
Standardisation:	37 %

⁴⁷ A redress procedure provides applicants with the possibility of filing a complaint if they think that there were shortcomings in the handling of their proposal during the evaluation.

⁴⁸ Recovery is recuperating of debts, i.e. money, towards the EU.

⁴⁹ Offsetting is a deduction of an amount owed to the EU by a third party from a payment to exactly the same third party.

⁵⁰ The representative error rate is the error rate derived solely from the results of audits on a representative sample of beneficiaries, extended by a statistical method to the overall population. This error rate provides an estimate of the level of error in FP7 at the time of the audits, however, indicates (i) neither the follow-up as corrections undertaken by the Commission after audits (ii) nor the net final financial impact of errors. This error rate is calculated for FP7 as a whole.

⁵¹ The residual error rate, on a multi-annual basis, is the extended level of error remaining after corrections undertaken by Commission services following the carried out audits. The calculation of the residual error rate is shown in Annex 4. For more details, the reader is referred to the AAR of DG RTD for 2015.

Key DG indicators on control <u>effectiveness</u>	DG results for the reporting year
<u>€ value coverage:</u>	
CIP:	€ 27 million
Standardisation:	€ 38 million
<u>Most Likely Error Rates:</u>	
CIP:	
<i>Cumulative detected error rate from non risk-based audits:</i>	7,82 %
<i>Residual error rate:</i>	6,21 %
Standardisation:	1,3 %

The above indicators show that the majority of the calls for the year were performed as planned. As a result of the externalisation, however, the number of new calls for proposals launched by DG GROWTH in 2015 was very limited.

In 2015, neither DG GROWTH, nor the Ombudsman received any complaints from unsuccessful call applicants regarding the evaluation of the proposals. There were no legal proceedings initiated in this respect. This provides a good indication of the robustness of the grant award process and assurance with respect to the internal control system.

The ex-post Control Team finalised 12 audits of projects managed by DG GROWTH related to CIP and Standardisation programmes, reaching reasonable audit coverage. In general, audits have a strong deterrent effect within the programmes as the beneficiaries are aware of the possibility to be selected for an in-depth financial verification.

(A) FP7 Grants, i.e. 0,007 % of 2015 payments

The Research Framework Programmes are implemented mainly through direct management, which implies direct financial contributions through co-financed contracts signed with external parties, i.e. research organisations, companies. In 2015, € 0,117 million was paid as final payments in relation to grant agreements signed prior 2015. At the moment when the payment is authorised, the Commission does not intend and is not able to fully control, for every payment, that the amount paid is accurate and in compliance with the applicable legal and contractual provisions. That would require the Research DGs to add a huge administrative burden onto participants, and would be impossible with the human resources available. Instead, and in line with recommendations by the European Parliament and the Council, the Research DGs operate a trust-based system of controls before payment, with limited substantive controls. It bases its main assurance on in-depth checks carried out on a sample of beneficiaries after costs have been incurred and declared.

The Research DGs have defined and implemented a common strategy, the key elements of which are the ex-post audit strategy and the recovery of any amounts found to have been paid in excess of the amount due. These elements are intended to provide reasonable assurance on the legality and regularity of expenditure on a multi-annual basis by systematically detecting and correcting errors. They complement the ex-ante controls embedded in the Research FPs' management processes.

Since 2012, a Common Representative audit Sample (CRaS) is used by the Research Family DGs to identify the common errors across the whole of FP7 operations. This sample was instrumental in lowering the audit burden on large beneficiaries who, before the implementation of this new approach, would have been audited by several Commission services.

The results of the representative sample indicate a common **representative error rate** amounting to 4,47 %⁵², whereas the residual error rate is 2,88 %⁵³. For FP7, materiality is assessed in accordance with Annex 4 of this AAR. The objective is to ensure that the estimated residual risk of error is less than 2 % cumulative by the end of the programme implementation. As a consequence, the FP7 reservation is maintained for 2015. The reader is referred to section 2.4.

Research DGs will continue their actions in preventing some causes of errors in FP7 expenditure, however, it seems clear that the maximum 2 % residual error target for FP7 will not be attained without a massive increase in the number of audits, or a considerable increase in the administrative burden imposed on participants through widespread ex-ante controls. Therefore, although the residual error rate remains above the target of 2 %, account should be taken of the cost for achieving this target. As it was stated in the Financial Statement accompanying the Horizon 2020 legislation, attempts in the past to achieve the 2 % target caused a number of unexpected and/or undesirable side-effects, e.g. excessive control burden, lower attractiveness of the programme, etc.

There is, however, an acceptance among stakeholders and institutions that an approach solely focussed on the achievement of a 2 % target for legality and regularity may not be appropriate. Other objectives and interests, especially the success of the Union's research policy, international competitiveness and scientific excellence should also be considered. At the same time, there is a clear need to manage the EU funds in an efficient and effective manner, and also to prevent fraud.

Taking these elements in balance, and in the light of the results of the FP7 audit campaign, the Research DGs consider that its overall control strategy ensures that trust, control and other policy objectives are kept in balance.

Legal provisions will not be any more reviewed for the ongoing FP7 projects. Therefore, the efforts in order to avoid errors have to be allocated at the level of the monitoring of the projects, of the ex-ante controls before payments. The implementation of the ex-post control results also has a cleaning effect on the paid amounts, together with the correction of systemic errors. So as to reinforce the cleaning effect of the ex-post controls, a third Common Representative Audit Sample will be launched in 2016.

Therefore, in order to prevent the repetition of these errors in future cost declarations, beneficiaries are informed about the correct way to calculate these costs and about the most frequent errors committed when calculating them. Certifying auditors who are found to have signed unqualified audit certificates for erroneous amounts of eligible costs are also directly informed about their errors and are invited to consult the available information in order to avoid similar errors in the future.

In complement to the audits of the CRaS, DG GROWTH follows up the implementation of the audit results by extending systematic errors detected during the audits to the other non-audited projects of the beneficiaries concerned.

Details on the Research services' common control strategy and on the expected evolution of the common representative error rate can be found in the AAR of DG RTD for 2015.

(B) Standardisation, i.e. 0,67 %⁵⁴ of 2015 payments

As part of its political objectives in the area of **standardisation**, the European

⁵² It is based on cost statements for which the audit is completed.

⁵³ It may increase slightly following the development of the Common Representative Error Rate.

⁵⁴ The amount related to operating grants is included in section 2.1.1.1.

Commission concludes operating and action grants with European standardisation organisations (ESO) which function in a monopoly situation, e.g.: European Committee for Standardization (CEN), European Committee for Electrotechnical Standardization (CENELEC) and European Telecommunications Standards Institute (ETSI). In 2015, three audits of standardisation agreements were finalised bringing the total number of audited standardisation agreements to 32 (2009-2015).

The total adjustments show a detected cumulative average error of **1,3 %**. Typical errors concern personnel, subcontracting and indirect costs categories. The error is immaterial compared to the standard materiality criterion, which is used for the ABB activity. The low error rate is a result of, on the one hand, the correct application of the Framework Partnership Agreement (FPA) provisions, which clearly define eligible costs, and on the other hand, the application of the related control strategy.

(C) CIP grants, i.e. 0,95 % of 2015 payments

In 2015, DG GROWTH also made payments under grant agreements with beneficiaries in the area of Competitiveness and Innovation Programme (CIP), which ran from 2007-2013 and is currently phasing out.

Although the beneficiaries and the terms of the grant agreement provisions under the different strands of the CIP programme are not fully homogeneous, typical errors concern personnel – *in-house consultants, owner manager costs* – and subcontracting.

Therefore, DG GROWTH performs preventively in-depth ex-ante controls in order to obtain further reasonable assurance for high degree of confidence that information is valid and unaltered. Consequently, these controls aim at achieving error-free payments for grants, i.e. to reduce the error rates below the materiality threshold of 2 %. Main pillars of the dedicated ex-ante controls are (i) detailed financial statement, i.e. breakdown of all cost categories and justification of their calculations, submitted by beneficiaries and (ii) judgemental sampling of declared costs from all cost categories for verification against supporting documents.

In addition, DG GROWTH continues also with the detective ex-post controls. Based on the results of a non-representative sample of audits performed between 2010 and 2015 and excluding targeted risk-based audits, the indicative detected error rate is 7,82 %. Though this error rate is rather high, corrections are consistently made during the years following ex-post controls. As a result, it is at least a 21 % cleaned amount of total payments executed to the audited entities between 2008 and 2015, without taking into account the in-depth ex-ante controls. Thus, the ex-post controls bring down the above indicative detected error to the cumulative residual level of 6,21 %. The reader is referred to section 2.4.

Even if not representative, the detected and residual error rates calculated over the last years does not decrease significantly. However, similar measures decided to lower the error rate for FP7 have already been applied for the CIP and considering that the need to balance legality and regularity with other objectives, such as the attractiveness of the programme, cost of control, less administrative burden, etc., is already met, additional controls might not be appropriate.

Distinctly to ex-DG ENTR, a new methodology is applied by DG GROWTH in calculating the error rate, namely on multiannual basis as the programme is phasing out and, principally, in order to produce the most accurate data for outstanding error rate. The reader is referred to annexe 4, where the methodology for calculating the residual error rate is laid down.

DG GROWTH expects that the residual error rate is not likely to decrease under the materiality threshold at the end of the programme and therefore makes a reservation on the legality and regularity of these payments. This transparency reservation, similarly to FP7, is a result from the most conservative approach, namely, by making a new reservation on CIP payments even though the amount at risk, similarly to FP7, is immaterial in comparison to the AAB activity and, especially, vis-à-vis the overall budget managed by the DG. The reader is referred to sections 2.4. and 3.

Considering that a simplification of the existing legislative framework for CIP, similarly to FP7, is not an option and that the legality and regularity objective has to be balanced with other objectives such as the attractiveness of the programmes and the cost of controls, it is unlikely that the error rate will further reduce without affecting the effectiveness of the programme.

Therefore, despite the immateriality of the amounts concerned and the phasing out of the programme, DG GROWTH will continue the efforts of the ex-DG ENTR in cleaning as much as possible the outstanding error rate by duly taking into account the available resources, the significance of the budget concerned and the political priorities of the EU agenda. As a result, corrective measures, such as in-depth ex-ante controls and risk-based ex-post audits, are applied to the remaining payments under the CIP legacy grant agreements, which have shown to be the most error prone. Namely these type of grants have been included in the Horizon 2020 research programme, where the above concerns are duly taken into account as the error rate is expected to be in the range of 2-5 %, with the residual error rate as close as possible, but not necessarily below 2 %.

2.1.1.4 Conclusion

The table below provides an overview of the weighted average error rate for the annual expenditure by using the best estimate of the potential error rate for each of the constituent parts of the budget managed by the DG. For the Competitiveness, Innovation and Standardisation grants, the applied error rate, and respectively the amount of risk for CIP, is based on the results of previous audits performed by DG GROWTH. With regard to the amount under risk for the FP7 grants, the applied error rate corresponds to the detected error rate of the Common Representative Audit Sample. With regard to the budget implemented by the European Space Agency, the best estimate consists of the last available audit results, as the Agency significantly improved its financial management and received a clean audit opinion from its external auditor for two consecutive years.

For other activities a range between 0 % and 1,99 % is applied as they were not covered by audits in 2015. They are either pre-financings, not considered risk-prone or it is estimated that the error rate is below the materiality threshold.

For DG GROWTH, the estimated overall amount at risk⁵⁵ for the 2015 payments made is € 21,356 million. This is the AOD's best, conservative estimation of the amount of expenditure, being € 1 710 million, authorised during 2015 not in conformity with the applicable contractual and regulatory provisions at the time the payment is made.

This expenditure will be subsequently subject to ex-post controls and a sizeable proportion of the underlying error will be detected and corrected in successive years. The conservatively estimated future corrections⁵⁶ for those 2015 payments made are € 21,950 million. This is the amount of errors that the DG conservatively estimates to identify and correct from controls that it will implement in successive years.

⁵⁵ In order to calculate the weighted average error rate (AER) for the total annual expenditure in the reporting year, detected, estimated or proxy error rates have been used (not the RER).

⁵⁶ This estimate is based on past performance, namely on the average recoveries and financial corrections (ARC) implemented since 2009 and applied to the payments of the year.

DG GROWTH Activity	Scope: Payments made in 2015	Error rate (range in %)		Amount at risk (range in €) = (2) x (3)	
Administrative	1 439 158	0	1,99	0	28 639
Own Procurement	69 834 363	0	1,99	0	1 389 704
Operating grants	11 063 854	0	1,99	0	220 171
CIP grants	16 230 971	7,82		1 269 107	
Standardisation grants	11 309 068	1,3		147 018	
Research grants	171 952	4,47		7 686	
Other ⁵⁷ grants	10 148 039	0	1,99	0	201 946
Cross-sub-delegated	28 053 120	0	1,99	0	558 257
Delegation agreement with ESA	1 015 375 729	0,66		6 661 086	
Financial Instruments	97 976 847	0	1,99	0	1 949 739
Agencies	402 601 136	0	1,99	0	8 011 763
Delegation agreements with other international organisation, including EUMETSAT, Mercator, ECMWF	45 772 909	0	1,99	0	910 881
Overall	1 709 977 146	0,47	1,25	8 084 897	21 355 997
Corrective Capacity		Average recoveries and corrections (in %)		Expected recoveries and corrections related to 2015 payments made (in €)	
Estimated future corrections ⁵⁸ (€)		Average 1,28 % since 2009 applied to 2015 payments made		21 950 312	

In view of the control results and all other relevant information available, the AOD's best estimate of the risks relating to the legality and regularity for the expenditure authorised during the reporting year is between 0,47 % and 1,25 %, which implies an amount at risk in the range of € 8,1 - € 21,4 million.

The internal control strategy foresees the implementation of further controls during subsequent years aimed at detecting and correcting errors in the parts of the budget which have not yet been audited, e.g. implementation of the ex-post controls for financial instruments, as well as other delegation agreements.

It is not possible to identify the specific errors and amounts which will be effectively corrected in the coming years, yet the implementation of the corrective controls performed since 2009 have resulted on average in recoveries and financial corrections

⁵⁷ Several heterogeneous grants related to space programmes, internal market, COSME 2014-2020, pilot projects and preparatory actions.

⁵⁸ These amounts even exclude the corrections of errors detected, e.g. in 2015 0,66 % or € 3,5 million, in ESA's reporting on budget implementation. These corrections are made at the time of the annual clearing of pre-financing payments to ESA after the finalisation of an ex-post audit.

representing 1,28 % of the average payments over the same period, which would imply an amount of € 22 million if applied to the 2015 payments made. In addition the errors detected in the audits under delegation agreements are systematically corrected by offsetting in the next pre-financing payment. With regard to the budget implemented by the European Space Agency, the clearing of all the pre-financing payments is always performed after the finalisation of an ex-post audit, which assures the correction of the detected errors. These elements provide the best indication of the corrective capacity of the ex-post control systems implemented by the DG.

Taking into account the conclusions of the review of the elements supporting assurance and the expected corrective capacity of the controls to be implemented in subsequent years, it is possible to conclude that the internal controls systems implemented by DG GROWTH provide sufficient assurance to adequately manage the risks relating to the legality and regularity of the underlying transactions, with the exception of the FP7 and CIP expenditure. The reader is referred to sections 2.4 and 3. The DG will implement results from ex-post audits based on cost-effectiveness considerations, including with the respective recovery actions to ensure a further reduction of the residual error rate.

Considering the overall annual expenditure, it can be concluded that the internal control systems provide sufficient assurance with regard to the achievement of this internal control objective⁵⁹, except for the FP7 and CIP grants. The reader is referred to sections 2.4 and 3.

2.1.2 Control efficiency and cost-effectiveness

Based on an assessment of the most relevant key indicators and control results, DG GROWTH has assessed the cost-effectiveness and the efficiency of the control system and reached a positive conclusion on cost-effectiveness and control efficiency. The one on cost-effectiveness is mainly based on the overall cost of control, which indicators are: 13,05 %⁶⁰ for grants and 12,46 %⁶¹ for procurement regarding the EU funds managed directly by DG GROWTH and, respectively, 0,78 % for decentralised agencies, 0,53 % for international organisations and 2,14 % for EIF concerning the funds managed through entrusted entities. The control efficiency is mainly based on time to pay, time to grant and time to inform, which day-indicators are 25, 85 and 105 days respectively. The conclusion is predominately based on respective targets and benchmarks, when available.

The AOD currently considers the possibility foreseen in Article 66.2 of the FR to differentiate the frequency and/or the intensity of the DG's controls. Potential re-direction of control resources towards more stringent controls where needed while having leaner and less burdensome controls are to be considered with due care and caution since the current control systems are assessed as adequately equipped and functioning. The different risk-profiles among DG transactions are well covered by dedicated controls as described at Annex 5 and, moreover, the measured soundness of controls indicates for an optimum in the control differentiation as currently established.

⁵⁹ related to control effectiveness as regards legality and regularity

⁶⁰ The results of these indicators might be perceived by the reader as rather elevated, however, the reader should also consider the following three facts. Firstly, the respective costs are legally necessary to reassure adequate level of controls, namely, to address legality and regularity requirements, especially in the context of the FP7 and CIP reservations. In addition, the amount of the funds directly managed by DG GROWTH, i.e. the denominator of the indicators, is relatively insignificant to the overall budget for 2015. Last, but not least, DG GROWTH does not enjoy economies of scale as for example other Research DGs dealing exclusively and predominantly with direct management. As a result after considering these three facts, it would be clearly demonstrated that the costs of DG GROWTH for direct management are, in fact, rather modest, especially in comparison with the criteria for entrusted entities for example as per Annex 5.

⁶¹ As above.

The results for 2015 per activity are as follows:

- **Budget implementation tasks entrusted to other DGs and Entities**

The following indicators demonstrate the efficiency and the cost-effectiveness of the internal control system in relation to **International Organisations**:

Common indicators on control <u>cost-effectiveness</u>	DG results for the reporting year
Percentage of overall cost of control of supervision process in comparison to the total <u>annual</u> amount delegated excluding any remuneration paid	0,53 %
Percentage of cost of remuneration fees paid to entrusted entities in comparison to the total annual amount delegated excluding any remuneration paid	12,25 %

Key DG indicators on control <u>cost-effectiveness</u>	DG results for the reporting year
Percentage of costs of control related to the establishment or prolongation in comparison to the total annual amount delegated	0,20 %
Percentage of costs of control related to the reporting and subsequent monitoring of the execution in comparison to all payments executed	0,22 %

Key DG indicator on control <u>efficiency</u>	DG results for the reporting year
Average time to entrust	722 days

The cost of controls is highly outweighed by their benefits. The European space programmes are major industrial programmes of significant size and complexity. It is the first time that the EU, in particular the Commission, implements such programmes. In its capacity of programme manager, the European Commission is responsible for the management and coordination of these programmes and bears the overall responsibility for their implementation and operation to schedule, cost and performance. Furthermore, the European Commission owns the assets of the Copernicus and GNSS programmes on behalf of the EU. Considering the above responsibilities, the European Commission implemented controls at governance, technical, operational and financial levels. Acting as programme manager it applies control mechanisms to ensure that the technical and security requirements are fully respected.

The following indicators demonstrate the efficiency and the cost-effectiveness of the internal control system in relation to **EU agencies**:

Common indicators on control <u>cost-effectiveness</u>	DG results for the reporting year
Percentage of overall cost of control of supervision process in comparison to the total annual amount delegated excluding any remuneration paid	0,78 %
Percentage of cost of remuneration fees paid to entrusted entities in comparison to the total annual amount delegated excluding any remuneration paid	8,21 %

Key DG indicators on control <u>cost-effectiveness</u>	DG results for the reporting year
Percentage of costs of control related to the establishment or prolongation in comparison to the total annual amount delegated	0,26 %
Percentage of costs of control related to the contracting and subsequent monitoring of the execution in comparison to the all payments executed	0,46 %

Key DG indicator on control <u>efficiency</u>	DG results for the reporting year
Average time to entrust	338 days

Despite that the agencies are subject to a distinct discharge report, DG GROWTH dedicates the necessary efforts, within acceptable limits, to exercise appropriate controls in order to reassure adequate use of the expenditure delegated.

The following indicators demonstrate the efficiency and the cost-effectiveness of the internal control system in relation to **EIF**:

Key DG indicator on control <u>efficiency</u>	DG results for the reporting year
Average time to entrust	Not available as no new delegation agreements

Common indicators on control <u>cost-effectiveness</u>	DG results for the reporting year
Percentage of overall cost of control of supervision process in comparison to the total annual amount delegated excluding any remuneration paid	2,14 %
Percentage of cost of remuneration fees paid to entrusted entities in comparison to the total annual amount delegated excluding any remuneration paid	2,20 %

Key DG indicators on control <u>cost-effectiveness</u>	DG results for the reporting year
Percentage of costs of control related to the set-up, design and designation in comparison to the total annual amount delegated	0,08 %
Percentage of costs of control related to the implementation by the Institution via financial intermediaries in comparison to the all payments executed	0,30 %

- **Procurement**

The following indicators demonstrate the efficiency and the cost-effectiveness of the internal control system in relation to procurement:

Key DG indicators on control <u>efficiency</u>	DG results for the reporting year
Average time to publication of selection results	101 days
Coverage of first level <i>ex ante</i> controls	100 % of all commitments and payments, 100 % of all tender documents and evaluation reports
Coverage of second level <i>ex ante</i> controls	13 % ⁶² of all payments, 100 % of all tender documents and evaluation reports
Number of positive / suspensive / negative opinions issued on the launch and evaluation of procurement procedures	122/6/0

Common indicators on control <u>cost-effectiveness</u>	DG results for the reporting year
Percentage of overall cost of control of procurement process in comparison to total expenditure <u>executed</u> during the year	12,46 % ⁶³
Percentage of costs of control related to the evaluation and selection procedure in comparison to procurement <u>contracted</u>	5,25 %
Percentage of costs of control related to the contracting	5,58 %

⁶² This is the percentage of all transactions, including procurement and grants, that are subject to an extended workflow of DG GROWTH. All transactions for 2015 include also all cross-sub-delegations.

⁶³ The result of this indicator might be perceived by the reader as rather elevated, however, the reader should also consider the following three facts. Firstly, the respective costs are legally necessary to reassure adequate level of controls, namely, to address legality and regularity requirements, especially in the context of the FP7 and CIP reservations. In addition, the amount of the funds directly managed by DG GROWTH, i.e. the denominator of the indicators, is relatively insignificant to the overall budget for 2015. Last, but not least, DG GROWTH do not enjoy economies of scale as for example other Research DGs dealing exclusively and predominantly with direct management. As a result after considering these three facts, it would be clearly demonstrated that the costs of DG GROWTH for direct management are, in fact, rather modest, especially in comparison with the criteria for entrusted entities for example as per Annex 5.

and subsequent monitoring of the execution in comparison to the all procurement payments <u>executed</u>	
Percentage of costs of control related to supervisory measures in comparison to the value of all transactions supervised	12,54 %

Key DG indicators on control <u>cost-effectiveness</u>	DG results for the reporting year
Average number of contracts per procurement control full time equivalent	23
Overall cost of control of procurement in value and full time equivalents	€ 8,702 million i.e. 69 FTEs

The procurement procedures applied in DG GROWTH involve a number of specific controls, which effectively contribute to assure excellence in the quality of the selected tenders and in the quality of the delivered goods and services. Given the significant overall value of procurement managed by DG GROWTH under direct and indirect management, DG GROWTH is of the opinion that the level of efficiency and cost-effectiveness of the controls operated is adequate.

- **Grants**

The following indicators demonstrate the efficiency and the cost-effectiveness of the internal control system in relation to grant management:

Common control efficiency indicators	DG results for the reporting year
Average time to grant ⁶⁴ (Art. 128.2 FR)	85 days
Average time to inform applicants of the outcome of the evaluation of the application (Art. 128.2 FR)	105 days
Average time to pay, i.e. invoices paid on time (Art 92.1 FR)	86 % ⁶⁵ on time

Key DG indicators on control <u>efficiency</u>	DG results for the reporting year
Average days of suspension	61 days

⁶⁴ The new Financial Regulation entered into application on 1 January 2013 set out new time limits for time to grant. The time to grant is split in (i) average time to publication of selection results targeted at 6 months and (ii) the average time from the publication till the signature of grant agreements targeted at 3 months (FR 128.2). These new targets apply to the calls published after 1 January 2013.

⁶⁵ This result is predominantly due to fact that the outstanding legacy grants managed directly by DG GROWTH are now at their phasing-out stage of final payments, which are rather complex by default and, therefore, need adequate dedication in time terms.

Percentage of payments suspended in comparison to all payments executed	47,72 %
Average time to offset	53 days

European Commission common indicators on control <u>cost-effectiveness</u>	DG results for the reporting year
Percentage of overall cost of control of grant process in comparison to the total expenditure executed ⁶⁶ during the year	13,05 % ⁶⁷
Percentage of costs of control related to the evaluation and selection procedure in comparison to the total value of grants contracted	2,09 %
Percentage of costs of control related to the contracting and subsequent monitoring of the execution in comparison to the all grant payments executed	8,38 %
Percentage of costs of ex post audits (including implementation of audit results) in comparison to the value of all audited grants	24,22 %

Key DG indicators on control <u>cost-effectiveness</u>	DG results for the reporting year
Average number of ongoing grant agreements managed per full time equivalent	13
Average value of ongoing grant agreements managed per full time equivalent	€ 9,819 million
Average project management costs per ongoing grant agreement	€ 9 332
Total cost of ex post audits	€ 964 596
Average cost of an <i>ex post</i> audit	€ 56 741

The ex-ante and ex-post controls significantly reduced errors in the beneficiaries' cost claims. In terms of costs, it should be considered that a significant part of

⁶⁶ From the expenditure is excluded the amount delegated or subject to a distinct discharge report.

⁶⁷ The result of this indicator might be perceived by the reader as rather elevated, however, the reader should also consider the following three facts. Firstly, the respective costs are legally necessary to reassure adequate level of controls, namely, to address legality and regularity requirements, especially in the context of the FP7 and CIP reservations. In addition, the amount of the funds directly managed by DG GROWTH, i.e. the denominator of the indicators, is relatively insignificant to the overall budget for 2015. Last, but not least, DG GROWTH do not enjoy economies of scale as for example other Research DGs dealing exclusively and predominantly with direct management. As a result after considering these three facts, it would be clearly demonstrated that the costs of DG GROWTH for direct management are, in fact, rather modest, especially in comparison with the criteria for entrusted entities for example as per Annex 5.

them is related to the legal requirements for performing payments, namely to ensure a minimum set of controls for each transaction. In addition, the evaluation of the proposals provides assurance that only the most excellent projects, which will best contribute to the achievement of the policy objectives of the call for proposals, are selected within the respective legal framework.

The process also enables the Commission staff to identify areas of potential policy and implementation issues, which can feed into the elaboration of future policies in the same domain.

It is considered that the audit and recovery processes are cost-effective. The limitation to the number of audits is justified by policy considerations, namely to ensure a good balance between trust and control and to minimise the administrative burden for participants.

Audits have an overall deterrent effect as many beneficiaries will take extra care for the preparation of their cost claims knowing that audits may follow. The auditors can also avoid future errors by providing guidance to participants. In addition, the experience of auditors on the ground has been important in many improvements proposed in the legislation and rules for the new generation of grant programmes, such as COSME and Horizon 2020. For example, one of the drivers for a flat rate for indirect costs was the regular identification of errors in the use of real indirect costs, and the lack of understanding of the complex real indirect cost rules by the participants.

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

DG GROWTH considers that the necessity of these controls is undeniable, as they are imposed by the Financial Regulation and the totality of the funds would be at risk in case they would not be in place.

Given that the overall cost of management and control of grants is 13,05 % of the grants value concerned, this is considered to be cost-effective, both overall and also when taking into account the relative number and size of the grants to be processed.

Further controls would not add significant value to the quality of the delivered results. Therefore, DG GROWTH does not intend to increase them, as this would adversely affect the other objectives of the programmes – attractiveness, reduction of administrative burden, etc. – and the overall result would be less cost-effective.

2.1.3 Fraud prevention and detection

DG GROWTH has developed and implemented its own Anti-Fraud Strategy (AFS) since 2011, elaborated on the basis of the methodology provided by OLAF. It has been updated on 09 September 2013.

The AFS is an essential element in the development of a strong anti-fraud culture within the DG. It draws on existing best practices and uses existing procedures and tools as much as possible so as to avoid any new or additional burden for the services.

DG GROWTH puts a strong emphasis on fraud prevention by encouraging proportionate and targeted preventive ex-ante controls. The fraud awareness campaign continued also in 2015. As part of the AFS Action Plan, a training content about Lobbying has been worked out and finalised. DG GROWTH signed in 2015 a specific contract under a DG HR framework contract for 2 half-day sessions with an external consultant.

In this context, several trainings related to effectively and appropriately dealing with external stakeholders have already started at the beginning of 2016 opened for all staff of the DG. A dedicated intranet page provides relevant guidance and tools to staff, including a list of red flags for detecting potential fraud. An anti-fraud desk is established in the financial resources and internal control unit.

In principle, the controls aimed at preventing and detecting fraud are similar to those intended to ensure the legality and regularity of the transactions. Still, DG GROWTH considers the population of beneficiaries in order to identify those at a higher risk of fraud and subjects them to more in-depth monitoring controls. During the reporting year, five beneficiaries were subject to in-depth risk-based controls following high error rates and indices of fraud detected during prior random audits.

In 2015, the DG GROWTH Consultative Group on Irregularities (CGI) met once and decided to propose to the Director-General to transmit a case to OLAF for examination and possible investigation. Recommendations resulting from two OLAF investigations closed in 2014 are in the process of being implemented.

Anti-Fraud Effectiveness Indicators (2015)	
n° of cases processed by the CGI:	1
n° of cases transferred to OLAF:	0 ⁶⁸
n° of risk-based audits finalised:	4 ⁶⁹
average detected error rate:	3,94 %
total amount to recover:	€ 26 019
n° of overriding decisions taken by the Director-General:	0
Total amount of liquidated damages claimed to beneficiaries:	€ 85 181 ⁷⁰

DG GROWTH is an active member of OLAF's Fraud Prevention and Detection Network (FPDNet) and of the Research DG family's Fraud and Irregularities in Research Committee (FAIR).

Overall, it can be concluded that the DG has a solid fraud-risk management environment in place, which is continuously being improved. Since 2013 the fraud risk assessment is integrated in the annual risk assessment exercise. As the DG has externalised the majority of its budget implementation, the AFS will be reviewed in 2016 and re-targeted towards the supervision of the implementation of anti-fraud strategies by the DG's entrusted entities.

2.1.4 Other control objectives: safeguarding of assets and information, reliability of reporting

Reliability of reporting

DG GROWTH delegates the majority of its budget implementation to other entities. In addition to other controls performed by DG GROWTH on the delegated budget, it also relies on the declarations of assurance provided by its entrusted entities. These consist of

⁶⁸ The case proposed for transmission to OLAF was actually transferred in 2016 and, therefore, will take part of the statistics for 2016.

⁶⁹ Two of the audit reports are finalised in January 2016.

⁷⁰ This amount does not only relate to risk-based audits.

signed declarations by the managing directors of these entities, providing assurance on the overall sound financial management of the delegated resources whilst highlighting key issues and describing the efficient functioning, cost-effectiveness and benefits of the entities internal control systems.

As a result of the significant efforts deployed by the DG during the past, the reliability of the data provided by the European Space Agency (ESA) for the 2015 accounting closure was considered satisfactory. The implementation by ESA of the recommendations made by its external auditor on its 2014 accounts, which received a clean opinion, was monitored and discussed during the yearly asset accounting workshop. ESA submitted the financial data necessary for the asset valuation in time for the DG GROWTH accounting closure and extensive checks were performed on this data.

Valuation and Safeguarding of assets and information

The total asset value on the Balance sheet at end 2015 is € 6 232 million. The assets consist of € 4 283 million current assets including intangible assets, property plant and equipment and long-term pre financing, i.e. non-current assets. Furthermore, the amount of € 1 949 million of current assets consists predominantly of pre-financings managed and controlled in the context of the DG's direct and indirect management and the cash and cash equivalents located on the fiduciary accounts or invested by EIF in short term deposits for an amount of € 164 million.

Regarding property, plant and equipment, the EGNOS, Galileo and Copernicus assets are included in the Commission's accounting system since respectively 2009, 2011 and 2014. The accounting treatment of these assets is a complex task requiring tailored procedures and systems to ensure proper valuation and control.

With regard to Copernicus, in 2015, two of the Sentinels (1A and 2A) are recognised as fixed assets as they have passed the In Orbit Commissioning Review in 2014 and 2015 respectively. Their net value after application of a 14,28 % straight line depreciation, i.e. 7 years expected life time, amounts to € 498 million. The other Sentinels are considered as assets under construction until their future launch with a total value of € 1 188 million. At end 2015, the Galileo system under construction is recognised on the DG GROWTH balance sheet at the value of € 2 110 million, representing the current stage of development of the Galileo system space and ground components. It should be noted that following a reduced service potential of one of the In Orbit Validation (IOV) satellites, a partial write-off of € 37 million has been applied. Furthermore, stand-alone equipment for EUR 1 million is recognised as fixed assets.

During 2015 the controls performed on the data provided by ESA for the valuation of the EGNOS and Galileo assets were continued. In November, three asset workshops were organised with the participation of DG GROWTH, DG for Budget, GSA and ESA, during which detailed explanations were obtained on contract level allowing for in-depth analysis of the data provided for the closure bookings.

With regard to the registration of EGNOS assets, and since 2015 also to Copernicus assets, the inventory of EGNOS equipment is uploaded into the EC accounting system and is updated on a quarterly basis. This system provides assurance as to the correct registration and valuation of assets on equipment level. The current controls and reporting requirements are sufficient to ensure accurate, complete and timely accounting data.

Throughout the year, 8 sites have been subject to on-the-spot physical inspections – *of EGNOS assets hosted by industry* – by the DG GROWTH accounting team and by GSA, mainly on the premises of industrial suppliers. The results of these inspections allow providing reasonable assurance as to the existence and satisfactory safeguarding of the assets.

assets	reporting year
Number of material audit findings on valuation of assets	none
Value of assets inspected per three years as % of net asset value ⁷¹	80 %

With regard to cash and cash equivalents located on the fiduciary accounts, based on the audited⁷² financial statements provided for the COSME financial instruments and as further substantiated through the risk and performance report provided by the EIF for the assets under management, the AOD has the assurance that the balance on the respective fiduciary accounts for the LGF and the EFG, including the treasury assets, are managed in accordance with the Delegation Agreement.

In conclusion, the current control arrangements for accounting and financial reporting are sufficient and work in practice as intended. Resources were used for their intended purpose. Proper safeguarding of the DG GROWTH assets, i.e. € 4 066 million, including Copernicus amounting to € 1 686 million, GNSS amounting to € 2 216 million as well as the financial assets managed by the EIF, i.e. € 164 million, has been ensured.

It is worth mentioning an audit of DG Budget finalised in January 2016 on the validation of local systems of DG GROWTH. The report contains two important recommendations related to DG accounting procedures. However, these recommendations are not affecting the safeguarding of information and the reliability of reporting since the emphasis is on the continuous update of the related procedures of the DG.

2.2 Audit observations and recommendations

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

The DG is audited by both internal and external independent auditors: the Internal Audit Service (IAS) of the European Commission and the European Court of Auditors (ECA). Since January 2015, the internal audit function within the Commission has been re-organised by centralising former Internal Audit Capabilities (IAC)s in the IAS.

The Directorate-General has not received any critical recommendations arising from the IAC and IAS audits. At the year-end, 92 % of the recommendations⁷³ were implemented within the deadlines as one important recommendation related to internal guidance for case-handlers of complaints and infringements would require more dedication for formalising the preparatory work carried out already. In addition, the IAS finalised in December 2015 its audit on the performance of DG supervision of ESA implementation of Galileo. Actions have been agreed and undertaken to address all outstanding recommendations. The various management measures are aimed at effectively addressing the identified risks.

⁷¹ Result of the 2012-2014 verification period – 2015-2017 on-going.

⁷² The reader is referred to section 2.1.1.1 (D).

⁷³ Recommendations stemming from audits carried out by former IAC and IAS.

The Director General is informed on the conclusions and the main recommendations stemming from the work of the internal and external auditors. The timely implementation of all recommendations is ensured by a regular monitoring, performed by the Internal Control Coordinator during the year.

Based on the assessment of the risks underlying the auditors' observations combined with the management measures taken in response, the management of DG GROWTH is confident that the recommendations issued do not raise any material assurance implications. The relevant action plans are implemented as planned. Therefore, the current state of play does not lead to any assurance related concerns.

It is worth mentioning that in January 2016, DG for Budget finalised its audit on the validation of local systems of DG GROWTH. The report contains two important recommendations related to continuous update of the DG accounting procedures. The reader is referred to section 2.1.4.

Internal Audit Service (IAS)

In 2015, the IAS carried out a total of 6 assignments of the DG activities: one audit on the performance of DG supervision of ESA implementation of Galileo and five follow-up verifications on the following audits related to: (i) performance of the Enterprise Europe Network; (ii) the project management of the Internal Market Information system, (iii) IT project management and security process, including two IT applications; (iv) the process stakeholder consultation and (v) governance arrangements, risk management and internal control systems of the Global Monitoring for Environment and Security (GMES)⁷⁴ programme.

The IAS expressed its conclusion on the state of internal control that the internal control systems audited are overall working satisfactorily although a number of very important findings remain to be addressed in line with the agreed action plans.

Therefore, the internal control systems in place in the DG provides overall reasonable assurance regarding the achievement of the objectives set up for the audited processes, except for three very important recommendations stemming from the audit on the performance of DG supervision of ESA implementation of Galileo, finalised in December 2015. The recommendations relate to various enhancements in the implementation of procurement activities, the cooperation with the ESA and the related supervision. The initial implementation dates of these recommendations are set for 2016. The main risks are in a process of being mitigated and, therefore, there is no material impact on the assurance for 2015.

As far as the follow-up verifications are concerned, based on their results the IAS have assessed that the recommendations have been implemented accordingly.

It is worth mentioning that within the audit report on the internal control strategy of the GNSS Supervisory Agency (GSA) over the budget delegated by the DG, one very important recommendation is still to be implemented. The recommendation is addressed to the GSA and relates to the risk management at the Agency in question. After completing already the related preparatory assessments, GSA would need additional time for establishing in full an appropriate risk management. By continuing to closely supervise the Agency, the DG will also continue helping in order to ensure a full and timely implementation of the outstanding actions by the end of 2016.

⁷⁴ GMES was renamed "Copernicus" in 2012.

European Court of Auditors (ECA)

ECA's Annual Report

On 10 November 2015, the Court presented its Annual Report on the execution of the Commission's 2014 budget. The assessment of the legality and regularity of DG GROWTH transactions and the effectiveness of its supervisory and control systems are treated in Chapter 5 - *Competitiveness for growth and jobs* - of the Court's Report.

Out of the 10 transactions audited by the Court only one DG GROWTH transaction was qualified with a material error rate. For the third year in a row the Court's report did not contain a single criticism related to the implementation of the EU budget by DG GROWTH.

For all payments covered by this chapter, the Court concluded that the most likely error rate is 5,6 % in 2014, versus 4 % in 2013, and therefore material, as it exceeds the 2 % materiality threshold set by the Court.

ECA also examined the AAR of ex-DG ENTR for 2014 and consider that the AAR generally provide a fair assessment of financial management in relation to the regularity of transactions, and the information provided corroborated to ECA findings and conclusions in most respects.

ECA's 2015 audits

For the Declaration of Assurance (DAS) on the year 2015, four DG GROWTH transactions were sampled by the Court. For two of the three transactions for which the preliminary audit results were received, the Court had no findings. The third transaction, from budget entrusted to REA, had a finding, which still has to be clarified with the beneficiary. Preliminary results of the remaining transaction were not available at the time of drafting this report. The observations of the Court received so far do not impact the 2015 assurance.

ECA Special Reports

No Special Reports were published by the Court in 2015 for which DG GROWTH is lead DG. However, DG GROWTH was associated in the performance audit leading to the publication of the special report: *"Efforts to address problems with public procurement in EU Cohesion expenditure should be intensified"*.

Follow-up of open ECA recommendations

Overall, two ECA recommendations for which DG GROWTH is lead DG remain open: one resulting from the Special Report on the *Management of the Galileo Programme's Development and Validation Phase*⁷⁵ and the other one resulting from the Special Report *"Is structural measures funding for municipal waste management infrastructure projects effective in helping Member States achieve EU waste policy objectives?"*⁷⁶. Both are on track towards being implemented on time.

⁷⁵ SR 7/2009 - <http://eca.europa.eu/portal/pls/portal/docs/1/8036724.PDF>

⁷⁶ SR 20/2012 - http://www.eca.europa.eu/Lists/ECADocuments/SR12_20/SR12_20_EN.PDF

2.3 Assessment of the effectiveness of the internal control systems

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

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

DG GROWTH annually⁷⁷ assesses the **effectiveness of its key internal control systems**, including the internal control processes in place at the level of its implementing bodies in accordance with the applicable Commission guidance. The assessment relies on extensive monitoring throughout the reporting year, supported by various information sources such as: an assessment of compliance and effectiveness with the internal control standards; a survey-based senior management self-assessment of the effective implementation of prioritised standards; an assessment of audit findings and the implementation of recommendations; a register of detected exceptions, non-compliance events and internal control weaknesses, identified both by the management and by auditors in their audit reports; management declarations outlining the control environment and any control issue; and regular risk assessment. The opinion of the IAS was duly taken into account. Based on these elements the Internal Control Coordinator reported on the state of internal control and provided her recommendation to the Director-General.

Concerning the overall state of the internal control system, the DG complies with the three assessment criteria for effectiveness, i.e. (a) staff has the required knowledge and skills, (b) systems and procedures are designed and implemented to manage the key risks effectively, and (c) there are no instances of ineffective controls that have exposed the DG to its key risks.

The **functioning of the internal control systems** has closely been monitored throughout the year by the systematic registration of exceptions and non-compliances with the rules and procedures, and of internal control weaknesses. The underlying causes behind these exceptions and weaknesses were analysed and mitigated. All related audit recommendations were either successfully implemented as reaffirmed by auditors in their follow-ups or are currently under implementation, mitigating any significant risks. The reader is referred to section 2.2.

In its management plan for the reporting year 2015, DG GROWTH prioritised two Internal Control Standards: n° 7 'Operational Structure' and n° 8 'Processes and Procedures' in order to further enhance their effective implementation with a view to the establishment of the new Commission and the significant changes brought to the DG policy portfolio. The reader is referred to section 'The DG in brief'. This was achieved by addressing any previously detected imperfections and audit recommendations. The reader is referred to section 2.2.

Further enhancing the effectiveness of the DG GROWTH control arrangements in place by inter alia taking into account any control weaknesses reported and exceptions recorded, is an on-going effort in line with the principle of continuous improvement of management procedures, while taking into account the cost-effectiveness and risk differentiation of

⁷⁷ "State of the internal control at DG GROWTH for 2015" report was finalised in March 2016.

controls.

For the achievement of its objectives DG GROWTH largely relies on executive and regulatory agencies, as well as on a close cooperation with various partners and international organisations, in particular with the European Space Agency and the European Investment Fund. With the further externalisation of budget implementation, DG GROWTH focuses more on policy making and supervision and less on direct project management.

As a consequence, the DG main inherent risk endangering the achievement of its political objectives lies in the supervision of these entrusted entities. The reader is referred to section 2.1. In view of the space programmes, the Commission acting as a programme manager has the overall responsibility for the successfully building of Galileo and Copernicus systems, which by definition bear important inherent risk due to their complexity and technological uncertainties. Irrespectively of this risky environment, the DG is committed to deliver and correct any challenge in this respect. The reader is referred to section 'Policy highlights of the year' of the Executive Summary. An additional significant inherent risk is related to maintaining the residual level of errors in the Research framework programme (FP7) and CIP below the materiality threshold of 2 %, while balancing trust and control. The reader is referred to sections 2.1, 2.4 and Annex 4.

As a result of the effective and timely implementation of mitigation measures, none of the prominent risks for the reporting year materialised. It is worth mentioning that DG GROWTH enhances, as a continuous effort, the management of the available resources so to ensure smooth achievement of objectives.

In conclusion, the internal control standards are effectively implemented and functioning, and, consequently, there is no impact on the assurance as provided in section 3.

2.4 Conclusions as regards assurance

This section reviews the assessment of the elements reported above, in Sections 2.1, 2.2 and 2.3, and draws conclusions 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 audit 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 GROWTH.

For financial operations managed by the DG in 2015 under FP7 and CIP, the materiality criterion is that the estimated residual risk of error is less than 2 % cumulative by the end of the programme's implementation. Since the residual error rate from the Common Representative audit Sample (CRaS) is material at the end of 2015, DG GROWTH, in accordance with the other members of the Research Family, maintains its reservation on FP7 expenditure for 2015, even though this reservation has a minimal impact given DG GROWTH's limited FP7 activity. Similarly, based on its own ex-post controls, DG GROWTH undertakes the most conservative approach and makes a new reservation on CIP grants since the residual error rate is above the materiality threshold of 2 %.

Except for the FP7 and CIP reservations, management has reasonable assurance that overall suitable controls are in place and work as intended, risks are being mitigated and/or monitored, and improvements and reinforcements are being implemented.

The lessons learned from the indicators of ex-ante and ex-post controls together with the strengths and weaknesses highlighted in the audits conducted in 2015 lead to the conclusion that DG GROWTH has reasonable assurance⁷⁸ that its internal control system is adequately designed and works as intended.

⁷⁸ Even an effective internal control system, no matter how well designed and operated, has inherent limitations – including the possibility of the circumvention or overriding of controls – and therefore can provide only *reasonable assurance* to management regarding the achievement of the business objectives and not *absolute assurance*.

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 her capacity as Authorising Officer by Delegation has signed the Declaration of Assurance qualified by reservations concerning the 7th Research Framework Programme and the Competitiveness and Innovation Framework Programme:

Title	Type (Financial or Reputational)	2015 amount at risk, i.e. exposure	ABB activity and amount affected, i.e. scope
Reservation concerning the rate of the residual error with regard to the accuracy of cost claims in the 7th Research Framework Programme (FP7) .	Financial	<p>€ 7,3 million FP7 grants in 2015 of which:</p> <ul style="list-style-type: none"> + € 0,117 million final payments executed by DG GROWTH + € 4,7 million paid by GSA + € 1,4 million delegated to DG RTD + € 1,1 million of pre-financings cleared by DG GROWTH <p>FP7 residual error rate: 2,88 %</p> <p>ABB materiality: > 2 %</p> <p>€ 0,209 million as maximum potential impact on FP7 payments during 2015</p>	<p>Partially ABB 02 04, i.e. Article 02 04 51 'Completion of previous research framework programmes – Seventh Framework Programme – EC (2007 to 2013)'</p> <p>€ 3,3 million of FP7 grants in 2015 of which:</p> <ul style="list-style-type: none"> + € 0,117 million final payments executed by DG GROWTH + € 1,8 million pre-financing payments executed to GSA + € 1,4 million delegated to DG RTD

Title	Type (Financial or Reputational)	2015 amount at risk, i.e. exposure	ABB activity and amount affected, i.e. scope
Reservation concerning the rate of the residual error with regard to the accuracy of cost claims in Competitiveness and Innovation Framework Programme 2007-2013 (CIP)	Financial	<p>€ 20,677⁷⁹ million CIP grants in 2015 of which:</p> <p>+ € 14,025 million final and interim payments executed by DG GROWTH</p> <p>+ € 6,652 million of pre-financings cleared by DG GROWTH</p> <p>CIP residual error rate: 6,21 %</p> <p>ABB materiality: > 2 %</p> <p>€ 1,283 million as maximum potential impact on CIP payments during 2015</p>	<p>Partially ABB 02 02 and 02 04, i.e. Article 02 02 51 'Completion of former activities in the competitiveness and entrepreneurship domain' And Article 02 04 53 'Completion of Competitiveness and Innovation Framework Programme – Innovation part (2007-2013)'</p> <p>€ 16,231 million of CIP grants in 2015 of which:</p> <p>+ € 6,967 million payments executed under ABB 02 02 51</p> <p>+ € 9,264 million payments executed under ABB 02 04 53</p>

⁷⁹ Excluding € 2,206 million of pre-financing payments executed in 2015.

In 2015, DG GROWTH has managed the resources for which it was responsible to the best effect for the intended purposes, in line with the Financial Regulation and according to the principles of sound financial management, legality and regularity.

The internal control system in the DG is in place, and it functions effectively to the extent that it enables the Director-General to give her assurance on the resources used. With the help of the internal control system, weaknesses could be detected and corrective measures put in place.

In the area of the accuracy of cost claims in the Seventh Research Framework Programme (FP7) the errors detected lead the Director-General to maintain the reservation on the reasonable assurance. This decision was taken in consultation with the other members of the Research family. The scope from this reservation, however, represents € 3,3 million, which is 0,19 % of all payments for 2015.

Similarly, in the area of the accuracy of cost claims in the Competitiveness and Innovation Framework Programme 2007-2013 (CIP), the errors detected lead the Director-General to undertake the most conservative approach and to make a new reservation on the reasonable assurance. The scope from this reservation represents € 16,2 million, which is 0,95 % of all payments for 2015.

3. Declaration of Assurance and reservations

DECLARATION OF ASSURANCE

I, the undersigned,

Director-General for Internal Market, Industry, Entrepreneurship and SMEs

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view⁸⁰.

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 opinion of the Internal Auditor on the state of control, the observations 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 reservations should be noted:

- 1) Reservation concerning the rate of residual error with regard to the accuracy of cost claims in the 7th Research Framework Programme 2007-2013 (FP7).*
- 2) Reservation concerning the rate of residual error with regard to the accuracy of cost claims in the Competitiveness and Innovation Framework Programme 2007-2013 (CIP).*

Brussels, April 2016

Signed

Lowri Evans

Director-General of DG for Internal Market, Industry, Entrepreneurship and SMEs

⁸⁰ True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG.

Reservation 1)

DG	Internal Market, Industry, Entrepreneurship and SMEs
Title of the reservation, including its scope	Reservation concerning the rate of the residual error with regard to the accuracy of cost claims in the 7th Research Framework Programme 2007-2013 (FP7) .
Domain	Research, direct management of grants under the 7 th Research Framework Programme (FP7).
ABB activity and amount affected (= "scope")	02 04 – "Horizon 2020 - Research relating to enterprises", in particular Article 02 04 51 'Completion of previous research framework programmes – Seventh Framework Programme – EC (2007 to 2013)' : € 90,8 million as outturn on payments made in 2015 for AAB 02 04, of which € 44,9 million within Article 02 04 51, where € 3,3 million as FP7 grants .
Reason for the reservation	At the end of 2015, the residual error rate is not below the materiality threshold foreseen for the multi-annual period.
Materiality criterion/criteria	The materiality criterion is the cumulative residual error rate, i.e. the level of errors that remain undetected and uncorrected, by the end of the management cycle. The control objective is to ensure that the residual error rate on the overall population is below 2 % at the end of the management cycle. As long as the residual error rate is not below 2 % at the end of a reporting year within the FP's management lifecycle, a reservation would be made.
Quantification of the impact (= "actual exposure")	The research family's Representative Error Rate for 2015 is 4,47 %, whereas cumulative Residual Error Rate is 2,88 %. The maximum impact is calculated by multiplying the cumulative residual error rate in favour of the Commission, i.e. 2,88 %, by the sum of FP7 payments based on cost statements actually processed in 2015, i.e. € 0,117 million final payments executed by DG GROWTH + € 4,7 million paid by GSA + € 1,4 million delegated to DG RTD, and FP7 pre-financings cleared in 2015, i.e. € 1,1 million. Hence, the sum of FP7 payments based on cost statements actually processed in 2015 results in € 7,3 million. This yields € 0,209 million as maximum potential <u>impact</u> on FP7 payments during 2015 based on the 2,88 % residual error rate for FP7.
Impact on the assurance	Legality and regularity of the affected transactions, i.e. only payments made against cost claims, interim payments and payments of balance. The assurance is affected by the above quantified budgetary <u>impact</u> , which represents 0,23 % of payments made by DG GROWTH in 2015.
Responsibility for the weakness	The Legislative Authorities for the complexity of the underlying rules as laid down in the basic acts, the Commission services for the management and control systems in place, and the beneficiaries and certifying auditors for the correctness of cost claims and audit certificates. Within these limits the remedial action of the services of the Commission is carried out through audit campaigns and the full and timely implementation of audit results as well as by better informing the beneficiaries and certifying auditors.

<p>Responsibility for the corrective action</p>	<p>The main corrective actions, as set out in the common FP7 audit strategy, consist of exhaustive auditing of the biggest participants, coverage of an additional sample of beneficiaries randomly selected according to international audit standards and the performance of targeted audits in case of identified specific risks.</p> <p>In addition to the audits performed, the implementation of the audit results on systematic errors to non-audited projects and the application of liquidated damages, in case the beneficiary fails to implement audit results on these systematic errors, provide for an additional extension of the audit coverage.</p> <p>The remaining scope to reduce errors will be addressed in particular through the following actions:</p> <ul style="list-style-type: none"> • continuing on-going efforts to give guidance and feedback to the participants and certifying auditors to prevent errors occurring; • continuing control and audit work in order to further reduce the FP7 residual error rate. <p>The possibilities to simplify the FP7 rules have been exhausted, but the simplification measures introduced in 2011 should continue to have a positive impact on the error rate.</p>
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Reservation 2)

DG	Internal Market, Industry, Entrepreneurship and SMEs
Title of the reservation, including its scope	Reservation concerning the rate of the residual error with regard to the accuracy of cost claims in the Competitiveness and Innovation Framework Programme 2007-2013 (CIP) .
Domain	COSME and Research, direct management of grants under the Competitiveness and Innovation Framework Programme 2007-2013 (CIP).
ABB activity and amount affected (= "scope")	02 02 – "Competitiveness of enterprises and small and medium-sized enterprises (Cosme)" and 02 04 – "Horizon 2020 - Research relating to enterprises", in particular Article 02 02 51 'Completion of former activities in the competitiveness and entrepreneurship domain' : € 123,98 million as outturn on payments made in 2015 for AAB 02 02, of which € 12,533 million within Article 02 02 51, where € 6,967 million as CIP grants . and Article 02 04 53 'Completion of Competitiveness and Innovation Framework Programme – Innovation part (2007-2013)' : € 90,8 million as outturn on payments made in 2015 for AAB 02 04, of which € 20,669 million within Article 02 04 53, where € 9,264 million as CIP grants .
Reason for the reservation	At the end of 2015, the residual error rate is not below the materiality threshold foreseen for the multi-annual period.
Materiality criterion/criteria	The materiality criterion is the cumulative residual error rate, i.e. the level of errors that remain undetected and uncorrected, by the end of the management cycle. The control objective is to ensure that the residual error rate on the overall population is below 2 % at the end of the management cycle. As long as the residual error rate is not below 2 % at the end of a reporting year within the CIP management lifecycle, a reservation would be made.
Quantification of the impact (= "actual exposure")	The detected error rate, excluding risk based audits, for 2015 is 7,82 %, whereas cumulative Residual Error Rate is 6,21 %. The maximum impact is calculated by multiplying the cumulative residual error rate in favour of the Commission, i.e. 6,21 %, by the sum of CIP payments based on cost statements actually processed in 2015, i.e. € 14,025 ⁸¹ million interim and final payments executed by DG GROWTH + € 6,652 million CIP pre-financings cleared in 2015. Hence, the sum of CIP payments based on cost statements actually processed in 2015 results in € 20,677 million. This yields € 1,283 million as maximum potential <u>impact</u> on CIP payments during 2015 based on the 6,21 % residual error rate for CIP.
Impact on the assurance	Legality and regularity of the affected transactions, i.e. only payments made against cost claims, interim payments and payments of balance. The assurance is affected by the above quantified budgetary <u>impact</u> , which represents 0,59 % of payments made by DG GROWTH in 2015.

⁸¹ By excluding € 2,206 million new pre-financing payments from the total payments executed in 2015 being € 16,231 million.

<p>Responsibility for the weakness</p>	<p>The Legislative Authorities for the complexity of the underlying rules as laid down in the basic acts, the Commission services for the management and control systems in place, and the beneficiaries for the correctness of cost claims and audit certificates.</p> <p>Within these limits the remedial action of the DG GROWTH is carried out through audit campaigns and the full and timely implementation of audit results as well as by better informing the beneficiaries and in-depth ex-ante checks.</p>
<p>Responsibility for the corrective action</p>	<p>The main corrective actions consist of in-depth ex-ante and ex-post controls and the performance of targeted audits in case of identified specific risks.</p> <p>The remaining scope to reduce errors will be addressed in particular through the following actions:</p> <ul style="list-style-type: none"> • continuing on-going efforts to give feedback to the participants to prevent errors occurring; • continuing control and audit work in order to further reduce the CIP residual error rate.

ANNEXES

ANNEX 1: Statement of the Resources Director

I declare that in accordance with the Commission's communication on clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission⁸², I have reported my advice and recommendations to the Director-General on the overall state of internal control in the DG.

I hereby certify that the information provided in Section 2 of the present AAR and in its annexes is, to the best of my knowledge, accurate and exhaustive.

Brussels, April 2016

Signed

Valentina Superti

Director Resources of DG for Internal Market, Industry, Entrepreneurship and SMEs

⁸² Communication to the Commission: Clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission; SEC(2003)59 of 21.01.2003.

ANNEX 2: Human and financial resources

Human Resources by ABB activity				
Code ABB Activity	ABB Activity	Establishment Plan posts	External Personnel	Total
02 05	European satellite navigation programmes (EGNOS and Galileo)	64	8	72
02 04 and 02 06	Horizon 2020 — Research relating to enterprises and Copernicus	51	13	64
02 03	Internal market for goods and sectorial policies	382	37	419
02 02	Competitiveness of enterprises and small and medium-sized enterprises (COSME)	310	28	338
02 AWBL-01	Management of the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs	118	42	160
02 AWBL-02	Policy strategy and coordination for the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs	108	6	114
Total		1033	134	1167

General remark: the above data rely on the snapshot of Commission personnel actually employed in each DG/service as of 31 December of the reporting year. These data do not necessarily constitute full-time-equivalents throughout the year.

Implementation of decentralised administrative authorised operations of the Global envelope as of 31 December 2015

Budget line	Budget line description	Appropriations 2015 (C1)			Appropriations carried over (C8)	
		Available appropriations 2015	Commitments 2015	Payments 2015	Amounts of appropriations carried over from 2014	Implementation on appropriations carried over from 2014
(IN EUROS)						%
02.010211.00	Other management expenditure	-	-	-	-	-
02.010211.00 .01.10	Mission expenses	2 620 688	2 620 688	2 387 024	167 827	100,00
02.010211.00 .01.30	Representation expenses	60 000	60 000	41 657	17 987	71,77
02.010211.00 .02.20	Meeting costs	1 506 469	1 506 469	1 313 792	167 877	65,51
02.010211.00 .02.40	Conference costs	207 034	207 034	174 088	50 186	96,63
02.010211.00 .03	Meetings of committees	613 828	613 828	516 093	86 926	85,16
02.010211.00 .04	Studies and consultations				13 545	100,00
02.010211.00 .05	Development of management and information systems	155 000	154 879	28 410	298 694	100,00
02.010211.00 .06	Further training and management training	301 079	301 079	65 618	137 606	92,28
	De-committed				88 526	
	TOTAL	5 464 098	5 463 977	4 526 682	1 029 174	

ANNEX 3: Draft annual accounts and financial reports

Table 1 : Commitments

Table 2 : Payments

Table 3 : Commitments to be settled

Table 4 : Balance Sheet

Table 5 : Statement of Financial Performance

Table 6 : Average Payment Times

Table 7 : Income

Table 8 : Recovery of undue Payments

Table 9 : Ageing Balance of Recovery Orders

Table 10 : Waivers of Recovery Orders

Table 11 : Negotiated Procedures (excluding Building Contracts)

Table 12 : Summary of Procedures (excluding Building Contracts)

Table 13 : Building Contracts

Table 14 : Contracts declared Secret

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2015 (in Mio €)					
			Commitment appropriations authorised	Commitments made	%
			1	2	3=2/1
Title 02 Enterprise and industry					
02	02 01	Administrative expenditure of the 'Enterprise and industry' policy area	36,438 522	35,742 771	98,09 %
	02 02	Competitiveness of enterprises and small and medium-sized enterprises (Cosme)	217,789 877	215,349 456	98,88 %
	02 03	Internal market for goods and sectorial policies	41,659 225	40,988 404	98,39 %
	02 04	Horizon 2020 - Research relating to enterprises	98,238 305	88,781 233	90,37 %
	02 05	European satellite navigation programmes (EGNOS and Galileo)	1 286,566 630	1 199,186 595	93,21 %
	02 06	European Earth observation programme	580,678 422	580,678 422	100,00 %
Total Title 02			2 261,370 981	2 160,726 881	95,55 %
Title 07 Environment					
07	07 01	Administrative expenditure of the 'Environment' policy area	5,608 850	5,608 850	100,00 %
Total Title 07			5,608 850	5,608 850	100,00 %
Title 08 Research and innovation					
08	08 01	Administrative expenditure of the 'Research and innovation' policy area	20,825 577	20,825 577	100,00 %
Total Title 08			20,825 577	20,825 577	100,00 %
Title 11 Maritime affairs and fisheries					
11	11 01	Administrative expenditure of the 'Maritime affairs and fisheries' policy area	1,906 250	1,905 824	99,98 %
Total Title 11			1,906 250	1,905 824	99,98 %
Title 12 Internal market and services					
12	12 02	A single market policy and free movement of services	9,389 000	9,382 679	99,93 %
Total Title 12			9,389 000	9,382 679	99,93 %
Total DG GROW			2 299,100 658	2 198,449 811	95,62 %

* Commitment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous commitment appropriations for the period (e.g. internal and external assigned revenue).

% Outturn on commitment appropriations

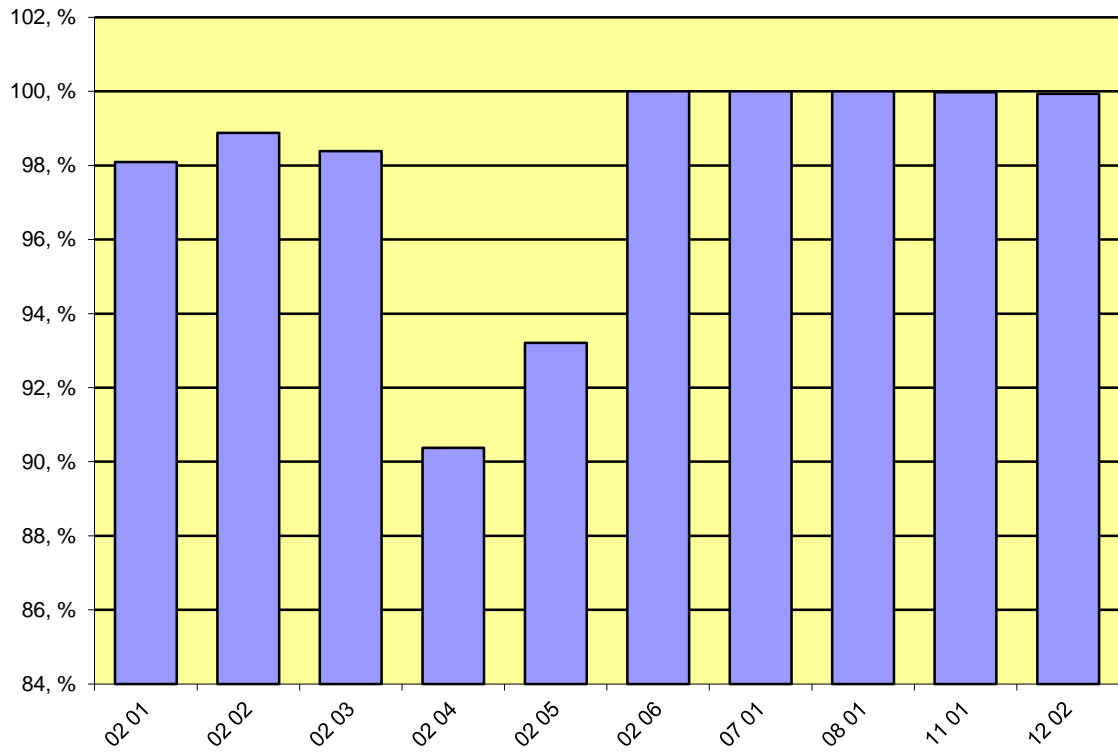


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2015 (in Mio €)					
Chapter			Payment appropriations authorised *	Payments made	%
			1	2	3=2/1
Title 02 Enterprise and industry					
02	02 01	Administrative expenditure of the 'Enterprise and industry' policy area	51,638 062	38,469 524	74,50 %
	02 02	Competitiveness of enterprises and small and medium-sized enterprises (Cosme)	144,379 080	123,982 902	85,87 %
	02 03	Internal market for goods and sectorial policies	41,593 524	40,922 792	98,39 %
	02 04	Horizon 2020 - Research relating to enterprises	143,749 938	90,783 003	63,15 %
	02 05	European satellite navigation programmes (EGNOS and Galileo)	1 025,856 276	855,669 556	83,41 %
	02 06	European Earth observation programme	524,497 253	524,144 936	99,93 %
Total Title 02			1 931,714 132	1 673,972 711	86,66 %
Title 07 Environment					
07	07 01	Administrative expenditure of the 'Environment' policy area	5,608 850	5,608 850	100,00 %
Total Title 07			5,608 850	5,608 850	100,00 %
Title 08 Research and innovation					
08	08 01	Administrative expenditure of the 'Research and innovation' policy area	20,825 577	20,825 577	100,00 %
Total Title 08			20,825 577	20,825 577	100,00 %
Title 11 Maritime affairs and fisheries					
11	11 01	Administrative expenditure of the 'Maritime affairs and fisheries' policy area	1,906 250	1,905 824	99,98 %
Total Title 11			1,906 250	1,905 824	99,98 %
Title 12 Internal market and services					
12	12 02	A single market policy and free movement of services	7,677 835	7,664 184	99,82 %
Total Title 12			7,677 835	7,664 184	99,82 %
Total DG GROW			1 967,732 644	1 709,977 146	86,90 %

* Payment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous payment appropriations for the period (e.g. internal and external assigned revenue).

"% Outturn on payment appropriations"



TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2015 (in Mio €)									
Chapter		2015 Commitments to be settled				Commitments to be settled from financial years previous to 2015	Total of commitments to be settled at end of financial year 2015(incl corrections)	Total of commitments to be settled at end of financial year 2014(incl corrections)	
		Commitments 2015	Payments 2015	RAL 2015	% to be settled				
		1	2	3=1-2	4=1-2/1	5	6=3+5	7	
Title 02 : Enterprise and industry									
02	02	Administrative expenditure of the 'Enterprise and industry' policy area	34,282 149	24,889 693	9,392 456	27,40%	0,000 000	9,392 456	15,309 432
02	02	Competitiveness of enterprises and small and medium-sized enterprises (Cosme)	215,349 456	46,985 750	168,363 706	78,18%	29,440 397	197,804 103	111,350 509
02	03	Internal market for goods and sectorial policies	40,988 404	14,845 797	26,142 607	63,78%	32,018 635	58,161 242	64,491 179
02	04	Horizon 2020 - Research relating to enterprises	88,781 233	15,124 886	73,656 347	82,96%	183,763 320	257,419 667	261,410 331
02	05	European satellite navigation programmes (EGNOS and Galileo)	1 199,186 595	358,206 108	840,980 487	70,13%	81,665 605	922,646 092	579,579 070
02	06	European Earth observation programme	580,678 422	397,329 334	183,349 088	31,57%	11,091 672	194,440 760	137,975 129
Total Title 02			2 159,266 259	857,381 568	1 301,884 691	60,29%	337,979 629	1 639,864 321	1 170,115 650
Title 07 : Environment									
07	07	Administrative expenditure of the 'Environment' policy area	5,608 850	5,608 850	0,000 000	0,00%	0,000 000	0,000 000	0,000 000
Total Title 07			5,608 850	5,608 850	0,000 000	0,00%	0,000 000	0,000 000	0,000 000
Title 08 : Research and innovation									
08	08	Administrative expenditure of the 'Research and innovation' policy area	20,825 577	20,825 577	0,000 000	0,00%	0,000 000	0,000 000	0,000 000
Total Title 08			20,825 577	20,825 577	0,000 000	0,00%	0,000 000	0,000 000	0,000 000
Title 11 : Maritime affairs and fisheries									
11	11	Administrative expenditure of the 'Maritime affairs and fisheries' policy area	1,905 824	1,905 824	0,000 000	0,00%	0,000 000	0,000 000	0,000 000
Total Title 11			1,905 824	1,905 824	0,000 000	0,00%	0,000 000	0,000 000	0,000 000
Title 12 : Internal market and services									
12	12	A single market policy and free movement of services	9,382 679	1,229 454	8,153 226	86,90%	1,217 684	9,370 910	8,118 067
Total Title 12			9,382 679	1,229 454	8,153 226	86,90%	1,217 684	9,370 910	8,118 067
Total DG GROW			2 196,989 190	886,951 272	1 310,037 917	59,63%	339,197 313	1 649,235 230	1 178,233 716

"Breakdown of Commitments remaining to be settled (in Mio EUR)"

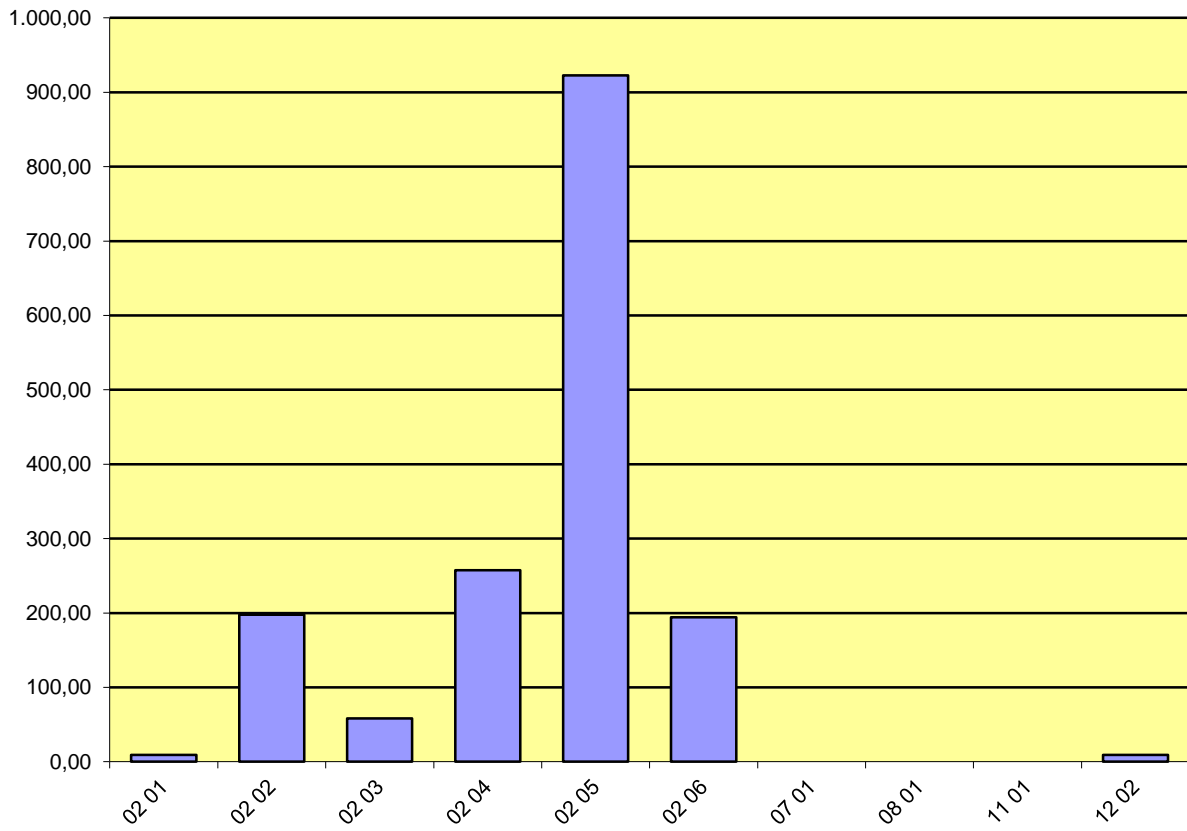


TABLE 4 : BALANCE SHEET

BALANCE SHEET	2015	2014
A.I. NON CURRENT ASSETS	4 283 278 358,70	3 506 019 637,38
A.I.1. Intangible Assets	6 101 224,78	
A.I.2. Property, plant and equipment	3 895 387 494,82	3 085 247 402,68
A.I.6. Non-Current Pre-Financing	381 789 639,10	420 772 234,70
A.I.7. OLD LT Pre-Financing		0,00
A.II. CURRENT ASSETS	1 948 737 521,24	1 495 077 929,27
A.II.2. Current Pre-Financing	1 773 658 996,76	1 419 131 049,56
A.II.4. Exchange Receivables	- 1 542 564,08	2 778 087,06
A.II.5. Non-Exchange Receivables	12 603 103,56	2 744 549,65
A.II.7. Cash and Cash Equivalents	164 017 985,00	70 424 243,00
ASSETS	6 232 015 879,94	5 001 097 566,65
P.II. NON CURRENT LIABILITIES	- 31 292 202,77	- 371 056,99
P.II.2. Long-term provisions	- 31 292 202,77	- 371 056,99
P.III. CURRENT LIABILITIES	- 63 067 990,36	- 62 915 715,92
P.III.2. Short-term provisions	- 94 775,00	0,00
P.III.4. Accounts Payable	- 19 151 223,65	- 13 932 565,81
P.III.5. Accrued charges and deferred income	- 43 821 991,71	- 48 983 150,11
LIABILITIES	- 94 360 193,13	- 63 286 772,91
NET ASSETS (ASSETS less LIABILITIES)	6 137 655 686,81	4 937 810 793,74
P.I.2. Accumulated Surplus / Deficit	- 756 755 143,53	304 328 103,25
Non-allocated central (surplus)/deficit*	-5 380 900 543,28	-5 242 138 896,99
TOTAL	0,00	0,00

It should be noted that the balance sheet and statement of financial performance presented in Annex 3 to this Annual Activity Report, represent only the assets, liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and statement of financial performance they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium.

Additionally, the figures included in tables 4 and 5 are provisional since they are, at this date, still subject to audit by the Court of Auditors. It is thus possible that amounts included in these tables may have to be adjusted following this audit.

Explanatory note

A.I.1. Intangible assets and A.I.2. Property, plant and equipment

The increase of intangible assets is related to the purchase of patents related to the Galileo programme for an amount of € 6 million. A straight line depreciation rate of 9,09 %, i.e. based on 11 years expected useful life, has been applied

The increase of property, plant and equipment is mainly related to the further development of assets under the Galileo and Copernicus programmes. For Galileo, the EU's Global Navigation Satellite System (GNSS), the assets under construction at 31 December 2015 are € 2 110 million. Compared to the value of € 1 478 million in 2014 this involves an increase of the gross value with € 670 million and a decrease of € 37 million concerning a partial write-off of the value of one of the IOV satellites following a reduced service potential. Furthermore, stand-alone equipment for € 1 million is recognised as fixed assets.

Regarding Copernicus, the European Earth observation programme, € 568 million relating to the Sentinel 1A and 2A satellites in orbit⁸³ are recognised as assets under the heading plant and equipment, and € 1 188 million relating to the other satellites currently being constructed are recognised as assets under construction. A straight line depreciation rate of 14,29 %, i.e. based on 7 years expected useful life, has been applied to the Sentinel 1A and 2A satellites. The depreciation charge amounted to € 70 million in 2015, resulting in a current value of € 1 686 million.

Finally, the assets related to the EGNOS system (European Geostationary Navigation Overlay System) increased in 2015 by € 15 million, due to new assets acquisition and capitalisation of costs incurred on the upgrade of the EGNOS system. The straight line depreciation rate of 12,5 % has been consistently applied to the EGNOS assets. The depreciation charge amounted to € 13 million in 2015. The current value of the EGNOS system at 31 December 2015 amounts to € 99 million.

The valuation of the Copernicus, Galileo and EGNOS assets is based on the data provided by the European Space Agency (ESA). However, it should be noted, that at the moment of the issuance of this Annual Activity Report, the 2015 ESA accounts have not been closed.

A.I.6. Long-Term Prefinancing and A.II.2. Current Pre-financing

The open pre-financing of € 2 155 million, i.e. € 1 774 million of current pre-financing and € 382 million of long-term pre financing, recognised on the balance sheet relate mainly to the delegation agreements signed for the implementation of the GNSS and Copernicus programmes with ESA, European GNSS Agency (GSA) and other delegated entities.

The long-term pre-financing of € 382 million recognised on the balance-sheet at 31 December 2015 represents pre-financing for which the costs are expected to be incurred only after 31 December 2016. The Long-term pre-financing mainly relates to advance

⁸³ 1A was launched in 2014 and 2A in 2015.

payments made for the future launches of the Galileo satellites under the new Galileo Deployment delegation agreement signed with ESA in 2014 and the delegation agreements signed with GSA.

A.II.4. and A.II.5. Exchange and Non-exchange Receivables

The negative amount of € 1,5 million under exchange receivables is related to one of the patents that was recognised as intangible asset, but for which the invoice is to be paid 2016. The non-exchange receivables are mainly related to accrued income recognised for liquidated damages under the Galileo programme, i.e. € 11,8 million.

A.II.7. Cash and Cash Equivalents

In 2014, a Delegation Agreement was signed by ex-DG ENTR with the European Investment Fund (EIF) for the implementation of the Financial Instruments of the Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME), comprising the Loan Guarantee Facility (LGF) and the Equity Facility for Growth (EFG). In line with the delegation agreement, the money was transferred to the fiduciary bank accounts opened by EIF for the management of the financial instruments.

At 31 December 2015, € 164 million was located on the fiduciary accounts or invested by EIF in short term deposits of duration less than 3 months.

P.II.2. and P.III.2. Long-term and Short-term provisions

The increase of the provisions is related to the COSME Loan Guarantee Facility (LGF) for which a long-term provision of € 31 million and a short-term provision of € 94 775 is foreseen for expected losses that may arise from the guarantee portfolio.

TABLE 5 : STATEMENT OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL PERFORMANCE	2015	2014
II.1 REVENUES	- 273 752 596,95	-1 499 490 893,63
II.1.1. NON-EXCHANGE REVENUES	- 276 842 417,17	-1 499 517 477,36
II.1.1.5. RECOVERY OF EXPENSES	807 938,30	- 1 266 227,55
II.1.1.6. OTHER NON-EXCHANGE REVENUES	- 277 650 355,47	-1 498 251 249,81
II.1.2. EXCHANGE REVENUES	3 089 820,22	26 583,73
II.1.2.1. FINANCIAL INCOME	- 1 299 824,29	- 1 570 498,87
II.1.2.2. OTHER EXCHANGE REVENUE	4 389 644,51	1 597 082,60
II.2. EXPENSES	635 318 998,65	438 407 646,85
II.2. EXPENSES	635 318 998,65	438 407 646,85
II.2.10. OTHER EXPENSES	206 725 962,43	63 098 865,48
II.2.2. EXP IMPL BY COMMISS&EX.AGENC. (DM)	92 027 903,58	192 655 315,13
II.2.3. EXP IMPL BY OTH EU AGENC&BODIES (IM)	133 353 562,86	110 323 515,29
II.2.4. EXP IMPL BY 3RD CNTR & INT ORG (IM)	181 477 653,40	72 067 106,89
II.2.5. EXP IMPL BY OTHER ENTITIES (IM)	21 983 940,98	506 387,12
II.2.6. STAFF AND PENSION COSTS	- 288 518,13	- 319 583,88
II.2.8. FINANCE COSTS	38 493,53	76 040,82
STATEMENT OF FINANCIAL PERFORMANCE	361 566 401,70	-1 061 083 246,78

It should be noted that the balance sheet and statement of financial performance presented in Annex 3 to this Annual Activity Report, represent only the assets, liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and statement of financial performance they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium.

Additionally, the figures included in tables 4 and 5 are provisional since they are, at this date, still subject to audit by the Court of Auditors. It is thus possible that amounts included in these tables may have to be adjusted following this audit.

Explanatory note

II.1.1.5. Recovery of expenses

The positive revenue entry is due to the cancellation of a recovery order of € 750 000 following the transfer of the file to DG HOME.

II.1.1.6. Other non-exchange revenues and II.1.2.1 Other exchange revenue

The other non-exchange revenue relates to the ESA funded part of the Copernicus assets and in-kind contributions received for Sentinels 1A and 2A, i.e. € 197 million. Furthermore, € 20 million of liquidated damages related to the Galileo programme were

recognized and € 60 million as revenue from accession countries (COSME) and Switzerland (GNSS).

II.2.10 Other expenses

The other expenses include, amongst other, the depreciation charges for the Copernicus Sentinels 1A and 2A, i.e. € 56 million, fees related to the COSME Financial Instruments, i.e. € 16 million, and the partial write-off applied to the value of the IOV 4 satellite following a reduction of its service potential, i.e. € 37 million.

II.2.2 Expenses implemented by Commission and executive agencies

The decrease of the expenses implemented under direct management is mainly due to the transfer of Research Security activities to DG HOME.

II.2.4 and II.2.5 Expenses implemented by international organisations and other entities (Indirect Management)

The increase of the expenses implemented by international organisations and other entities is mostly due to the signature in 2014 and 2015 of the Delegation Agreements for the Copernicus programme.

TABLE 6: AVERAGE PAYMENT TIMES FOR 2015 - DG GROW

Legal Times							
Maximum Payment Time (Days)	Total Number of Payments	Nbr of Payments within Time Limit	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
30	1682	1630	96,91 %	15,621472	52	3,09 %	41,55769231
45	141	112	79,43 %	22,642857	29	20,57 %	89,10344828
50	5	5	100,00 %	22,8			
60	216	204	94,44 %	26,20098	12	5,56 %	66,66666667
75	1	1	100,00 %	44			
90	52	44	84,62 %	48,545455	8	15,38 %	1399,75

Total Number of Payments	2097	1996	95,18 %		101	4,82 %	
Average Payment Time	24,97902			17,85471			165,7722772

Target Times							
Target Payment Time (Days)	Total Number of Payments	Nbr of Payments within Target Time	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
20	95	75	78,95 %	13	20	21,05 %	28,65
30	463	398	85,96 %	16,371859	65	14,04 %	60,81538462
75	7	1	14,29 %	74	6	85,71 %	1834

Total Number of Payments	565	474	83,89 %		91	16,11 %	
Average Payment Time	40,87611			15,95992			170,6593407

Suspensions							
Average Report Approval Suspension Days	Average Payment Suspension Days	Number of Suspended Payments	% of Total Number	Total Number of Payments	Amount of Suspended Payments	% of Total Amount	Total Paid Amount
11	36	319	15,21 %	2097	219 094 400,32	14,37 %	1 525 159 159,68

Late Interest paid in 2015			
DG	GL Account	Description	Amount (Eur)
GROW	65010100	Interest on late payment of charges New FR	18 790,17
			18 790,17

TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2015

Chapter	Revenue and income recognized			Revenue and income cashed from			Outstanding balance
	Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total	
	1	2	3=1+2	4	5	6=4+5	7=3-6
52 REVENUE FROM INVESTMENTS OR LOANS GRANTED, BANK AND OTHER INTEREST	1 393 497,97	0	1 393 497,97	1 393 497,97	0	1 393 497,97	0
60 CONTRIBUTIONS TO UNION PROGRAMMES	60 504 410,00	79 705,00	60 584 115,00	60 268 572,00	79 705,00	60 348 277,00	235 838,00
66 OTHER CONTRIBUTIONS AND REFUNDS	2 724 859,65	2 617 024,65	5 341 884,30	2 623 415,92	1 293 631,21	3 917 047,13	1 424 837,17
90 MISCELLANEOUS REVENUE	- 85 181,13	154 043,32	68 862,19	- 85 181,13	103 144,47	17 963,34	50 898,85
Total DG GROW	64 537 586,49	2 850 772,97	67 388 359,46	64 200 304,76	1 476 480,68	65 676 785,44	1 711 574,02

TABLE 8 : RECOVERY OF PAYMENTS
(Number of Recovery Contexts and corresponding Transaction Amount)

INCOME BUDGET RECOVERY ORDERS ISSUED IN 2015 Year of Origin (commitment)	Error		Irregularity		Total undue payments recovered		Total transactions in recovery context (incl. non-qualified)		% Qualified/Total RC	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
	2007							1	9 920,41	
2009	2	22 177,35	1	20 763,58	3	42 940,93	3	42 940,93	100,00%	100,00%
2010							1	70 877,86		
2012							3	224 089,49		
2013	2	3 401,80	1	7 357,03	3	10 758,83	9	511 042,99	33,33%	2,11%
2014							6	2 991 363,06		
No Link			1	3 468,43	1	3 468,43	6	39 789 562,43	16,67%	0,01%
Sub-Total	4	25 579,15	3	31 589,04	7	57 168,19	29	43 639 797,17	24,14%	0,13%

EXPENSES BUDGET	Error		Irregularity		OLAF Notified		Total undue payments recovered		Total transactions in recovery context (incl. non-qualified)		% Qualified/Total RC	
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
INCOME LINES IN INVOICES												
NON ELIGIBLE IN COST CLAIMS	74	970 940,89	36	15 193 141,67			110	16 164 082,56	122	16 590 787,91	90,16%	97,43%
CREDIT NOTES	59	1 247 157,83	6	840 695,10			65	2 087 852,93	65	2 087 852,93	100,00%	100,00%
Sub-Total	133	2 218 098,72	42	16 033 836,77			175	18 251 935,49	187	18 678 640,84	93,58%	97,72%
GRAND TOTAL	137	2 243 677,87	45	16 065 425,81			182	18 309 103,68	216	62 318 438,01	84,26%	29,29%

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2015 FOR GROW

	Number at 01/01/2015	Number at 31/12/2015	Evolution	Open Amount (Eur) at 01/01/2015	Open Amount (Eur) at 31/12/2015	Evolution
2009	1		-100,00 %	48 751,78		-100,00 %
2010	1		-100,00 %	7 372,49		-100,00 %
2011	3	1	-66,67 %	112 536,85	57 746,53	-48,69 %
2012	3	3	0,00 %	313 064,56	313 064,56	0,00 %
2013	11	5	-54,55 %	1 082 651,71	991 591,86	-8,41 %
2014	11	3	-72,73 %	1 286 395,58	11 889,34	-99,08 %
2015		4			337 281,73	
	30	16	-46,67 %	2 850 772,97	1 711 574,02	-39,96 %

TABLE 10 : RECOVERY ORDER WAIVERS IN 2015 >= EUR 100.000

	Waiver Central Key	Linked RO Central Key	RO Accepted Amount (Eur)	LE Account Group	Commission Decision	Comments

Total DG	
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Number of RO waivers	
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No data to be reported

TABLE 11 : CENSUS OF NEGOTIATED PROCEDURES - DG GROW - 2015**Procurement > EUR 60,000**

Negotiated Procedure Legal base	Number of Procedures	Amount (€)
Art. 134.1(b)	3	6.220.484,00
Art. 135.1(a)	1	799.722,00
Total	4	7.020.206,00

Additional comments:

Procedure Reference	Negotiated Procedure Article	Negotiated Procedure Description	Lot Ceiling Amount in euro	Explanatory note
427/PP/ENT/14/7505 Aviation Standardisation for Multiconstellation	Art. 135.1(a)	(FR2012) Art. 135.1(a) (After prior publication) Submission of irregular or unacceptable tenders	799 722	Following a prior open procedure, where the only tender received was unacceptable with reference in particular to the award criteria. It was decided to negotiate with the tenderer, provided that the original terms of the contract as specified in the call for tenders were not substantially altered.
ENTR/416/PP/ENT/S AT/14/7323 License agreement with CNES regarding four patents related to GNSS.	Art. 134.1(b)	(FR2012) Art. 134.1(b) (Without prior publication) Technical or artistic reasons, or reasons connected with the protection of exclusive rights	2 000 000	For reason linked to intellectual property rights, services could only be performed by this economic operator.

Procedure Reference	Negotiated Procedure Article	Negotiated Procedure Description	Lot Ceiling Amount in euro	Explanatory note
499/PP/GRO/ADM/15 Access to the Defence Industry database.	Art. 134.1(b)	(FR2012) Art. 134.1(b) (Without prior publication) Technical or artistic reasons, or reasons connected with the protection of exclusive rights	122 684	For technical and exclusive rights reasons the contract could be awarded only to this particular economic operator, which is the holder of these unique Defence Procurement and Defence Industry and Markets databases.
442/PP/GRO/SAT/15/8344 License agreement with DSTL regarding two patents related to GNSS	Art. 134.1(b)	(FR2012) Art. 134.1(b) (Without prior publication) Technical or artistic reasons, or reasons connected with the protection of exclusive rights	4 097 800	For technical reasons the services could only be performed by this particular economic operator.

TABLE 12 : SUMMARY OF PROCEDURES OF DG GROW EXCLUDING BUILDING CONTRACTS

Internal Procedures > € 60,000		
Procedure Type	Count	Amount (€)
Exceptional Negotiated Procedure after publication of a contract notice (Art. 135 RAP)	1	799 722,00
Exceptional Negotiated Procedure without publication of a contract notice (Art. 134 RAP)	3	6 220 484,00
Open Procedure (Art. 127.2 RAP)	30	53 076 074,34
TOTAL	34	60 096 280,34

TABLE 13 : BUILDING CONTRACTS

Total number of contracts :	
Total amount :	

Legal base	Contract Number	Contractor Name	Description	Amount (€)

No data to be reported

TABLE 14 : CONTRACTS DECLARED SECRET

Total Number of Contracts : Total amount :	
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Legal base	Contract Number	Contractor Name	Type of contract	Description	Amount (€)

No data to be reported

ANNEX 4: Materiality criteria

This annex provides a detailed description of the way in which DG for Internal Market, Industry, Entrepreneurship and SMEs defines its materiality thresholds. These thresholds serve as a basis for determining which significant weaknesses should be subject to a formal reservation to the Director-General's declaration of assurance.

The following types of potential deficiencies could be relevant:

- Significant weaknesses in the internal control system
- Significant errors detected during ex-post controls
- Major critical issues identified by the European Court of Auditors or the Internal Audit Service
- Insufficient evidence from internal control systems or audit coverage
- Evidence that a significant risk remained unmitigated
- A significant risk for the reputation of the Commission

In case significant weaknesses are identified, a quantification of the amount at risk should be carried out, if possible.

Taking into account their different risk profiles and control and supervision arrangements, the activities performed by DG for Internal Market, Industry, Entrepreneurship and SMEs have been regrouped in three areas of expenditure, for which individual materiality criteria have been defined:

1. Delegation Agreements with entrusted entities, i.e. indirect management
2. Research expenditure (FP7)
3. Other direct expenditure

1. Delegation Agreements with Entrusted Entities, i.e. indirect management

For expenditure under joint management and indirect management, implemented by Delegation Agreements with Entrusted Entities, including international organisations, the materiality threshold has been set at 2 % of undetected and uncorrected errors in the amounts of cost reported during the year or at the end of the implementation of the programmes. If the error rate exceeds the 2 % materiality threshold, a reservation should be considered.

Materiality is to be assessed per management mode.

2. Research expenditure, i.e. direct management

The materiality criteria for Research expenditure are defined in common agreement with the other DGs of the 'Research family' (RTD, CNECT, MOVE, ENER).

The Standing Instructions for the preparation of Annual Activity Reports (AARs) stipulate that the quantitative materiality threshold **must not exceed 2 % of the authorised payments of the reporting year of the ABB expenditure**. However, the Guidance on AARs also allows a multi-annual approach, especially for budget areas, e.g. programmes, for which a multi-annual control system is more effective. In such cases, the calculation of errors, corrections and materiality of the residual amount at risk should be done on a "cumulative basis" on the basis of the totals over the entire programme lifecycle.

Because of its multiannual nature, the effectiveness of the Research services' control strategy can only be fully measured and assessed at the final stages in the life of the framework programme, once the ex-post audit strategy has been fully implemented and systematic errors have been detected and corrected.

In addition, basing materiality solely on ABB expenditure for one year may not provide

the most appropriate basis for judgements, as ABB expenditure often includes significant levels of pre-financing expenditure, e.g. during the initial years of a new generation of programmes, as well as reimbursements, i.e. interim and final payments, based on cost claims that 'clear' those pre-financings. Pre-financing expenditure is very low risk, being paid automatically after the signing of the contract with the beneficiary.

The general control objective for the Research services, following the standard quantitative materiality threshold proposed in the Standing Instructions, is to ensure for each FP, and the Coal and Steel Research Fund for DG RTD, that **the residual error rate, i.e. the level of errors which remain undetected and uncorrected, does not exceed 2 % by the end of each FP's management cycle**. The question of being on track towards this objective is to be (re)assessed annually, in view of the results of the implementation of the ex-post audit strategy and taking into account both the frequency and importance of the errors found as well as a cost-benefit analysis of the effort needed to detect and correct them.

Notwithstanding the multiannual span of their control strategy, the Directors-General of the Research DGs, and the Directors of the European Research Council Executive Agency (ERCEA), the Research Executive Agency (REA), the EASME and the Innovation and Networks Executive Agency (INEA), are required to sign a statement of assurance for each financial reporting year. In order to determine whether to qualify this statement of assurance with a reservation, the effectiveness of the control systems in place needs to be assessed not only for the year of reference but also with a multiannual perspective, to determine whether it is possible to reasonably conclude that the control objectives will be met in the future as foreseen. In view of the crucial role of ex-post audits defined in the common FP7 and future Horizon 2020 audit strategy, this assessment needs to check in particular whether the scope and results of the ex-post audits carried out until the end of the reporting period are sufficient and adequate to meet the multiannual control strategy goals.

The criteria for making a decision on whether there is material error in the expenditure of the DG or service, and so on whether to make a reservation in the AAR, will therefore be principally, though not necessarily exclusively, based on the level of error identified in ex-post audits of cost claims on a multi-annual basis.

Effectiveness of controls

The starting point to determine the effectiveness of the controls in place is the cumulative level of error expressed as the percentage of errors in favour of the EC, detected by ex-post audits, measured with respect to the amounts accepted after ex-ante controls.

However, to take into account the impact of the ex-post controls, this error level is to be adjusted by subtracting:

- Errors detected and corrected as a result of the implementation of audit conclusions;
- Errors corrected as a result of the extension of audit results to non-audited contracts with the same beneficiary.

This results in a residual error rate, which is calculated in accordance with the following formula:

$$Re\ sER\% = \frac{(Re\ pER\% * (P - A)) - (Re\ pER\ sys\% * E)}{P}$$

where:

- ResER%** residual error rate, expressed as a percentage
- RepER%** representative error rate, or error rate detected in the common representative sample, expressed as a percentage. For FP7 this rate is the same for all Research services.
- RepERsys%** portion of the RepER% representing (negative) systematic errors, expressed as a percentage. The RepER% is composed of two complementary portions reflecting the proportion of negative systematic and non-systematic errors detected.
- P** total aggregated amount in euros of EC share of funding in the auditable population. In FP7, the population is that of all received cost statements, and the euro amounts those that reflect the EC share included in the costs claimed in each cost statement.
- A** total EC share of all audited amounts, expressed in euro. This will be collected from audit results.
- E** total non-audited amounts of all audited beneficiaries. In FP7, this consists of the total EC share, expressed in euro, excluding those beneficiaries for which an extrapolation is ongoing).

If the residual error rate is not (yet) below 2 % at the end of a reporting year within the FP's management lifecycle, a reservation must be considered.

The Common Representative Audit Sample (CRAS) is the starting point for the calculation of the residual error rate. It is representative of the expenditure of each FP as a whole. Nevertheless, the Director-General or Director for the Executive Agencies must also take into account other information when considering if the overall residual error rate is a sufficient basis on which to draw a conclusion on assurance (or make a reservation) for specific segment(s) of FP7/Horizon 2020. This may include the results of other ex-post audits, ex-ante controls, risk assessments, audit reports from external or internal auditors, etc. All this information may be used in assessing the overall impact of a weakness and considering whether to make a reservation or not.

If the CRAS results are not used as the basis for calculating the residual error rate this must be clearly disclosed in the AAR, along with details of why and how the final judgement was made.

In case a calculation of the residual error rate based on a representative sample is not possible for a FP for reasons not involving control deficiencies⁸⁴, the consequences are to be assessed quantitatively by making a best estimate of the likely exposure for the reporting year based on all available information. The relative impact on the Declaration of Assurance would be then considered by analysing the available information on qualitative grounds and considering evidence from other sources and areas. This should be clearly explained in the AAR.

Adequacy of the audit scope

The quantity of the (cumulative) audit effort carried out until the end of each year is to be measured by the actual volume of audits completed. The data is to be shown per year

⁸⁴ Such as, for instance, when the number of results from a statistically representative sample collected at a given point in time is not sufficient to calculate a reliable error rate.

and cumulated, in line with the current AAR presentation of error rates. The multiannual planning and results should be reported in sufficient detail to allow the reader to form an opinion on whether the strategy is on course as foreseen.

The Director-General or Director for the Executive Agencies should form a qualitative opinion to determine whether deviations from the multiannual plan are of such significance that they seriously endanger the achievement of the internal control objective. In such case, she or he would be expected to qualify his annual statement of assurance with a reservation.

Materiality is assessed for each Framework Programme

In 2015, the Research services managed financial operations under the sixth, the seventh and Horizon 2020 framework programmes, and the Coal and Steel Research Fund. Each is managed under different sets of regulatory and contractual provisions. Therefore, the assessment of the performance of the internal controls has to take into account these differences.

However, it has to be noted that

1. the expenditure for the 6th Framework Programme is now a very small part of operations for DG GROWTH, and given the full disclosure on the results for this FP in the AAR 2012, information on the 6th FP should only be reported if there are exceptional elements, the non-disclosure of which would result in the reader being misled
2. for Horizon 2020, very few payment against cost claim has been made and no audit has yet been carried out, thus no error rate has been calculated.

3. Other direct expenditure

For other direct expenditure, DG for Internal Market, Industry, Entrepreneurship and SMEs applies the proposed threshold of 2 % of payments made under the ABB activity for the given year. If the amount at risk exceeds 2 % of the ABB activity concerned, a reservation should be considered.

The amount of risk is calculated, similarly to FP7, based on the available results from ex-post results, i.e. either (overall) detected error rate or representative detected error rate, depending on their availability and reliability.

$$ResER\% = \frac{(R/DER\% * (P - A - R))}{P}$$

where:

- ResER%** residual error rate, expressed as a percentage;
- R/DER%** (overall) detected or representative error rate calculated by excluding risk-based audits, expressed as a percentage;
- P** total payments executed under the respective programme throughout the years of implementation, expressed in euro;
- A** total EU contribution amounts audited, excluding risk based audits, expressed in euro;

R total EU contribution amounts verified after risk-based audits, expressed in euro;

The In-Orbit-Validation grant is an atypical grant to finance procurement contracts signed by ESA. The materiality criterion for this grant is the one applicable for Delegation Agreements with International Organisations.



ANNEX 5: Internal Control Template(s) for budget implementation (ICTs)

ICT N°1: Budget entrusted to other entities

ICT N°2: Financial Instruments

ICT N°3: Assets

Budget managed directly by DG GROWTH:

ICT N°4: Procurement

ICT N°5: Grants

ICT N° 1: Budget entrusted to other entities

This ICT covers: (1) the Delegation Agreements (DAs) with **ESA** for the GNSS programmes Galileo FOC and EGNOS under indirect management and for the GMES-Copernicus programme under joint management, (2) DAs with **ECMWF, EUMETSAT** and **MERCATOR** for Copernicus programme under indirect management; (3) DA with **OECD** under joint management; (4) the subsidy to the **EASME** Executive Agency for its operating budget, (4) the supervision of the budget executed on behalf of DG GROWTH by the **EDA, ECHA, EEA, EMSA, EUROFOUND, FRONTEX, GSA**, as EU agencies and by the **REA** and **EASME** Executive Agencies, and (5) cross sub-delegations to **other Commission services** (AOXD).

Stage 1 – Establishment (or prolongation) of the mandate to the Entrusted Entity (EE)

Main control objectives: Ensure that the legal framework for the management of the relevant funds is fully compliant and regular (legality & regularity), delegated to an appropriate entity (best value for public money, economy, efficiency), without any conflicts of interests (anti-fraud strategy) and gives all the references necessary for a smooth running of the new entity.

Main risks	Mitigating controls	Coverage frequency and depth	Costs and benefits of controls	Control indicators
<p>Indirect management not foreseen in Basic Act</p> <p>Delegation Act (DA) does not clearly set out :</p> <ul style="list-style-type: none"> - delegated tasks, responsibilities of each involved actor - internal control and reporting requirements to be observed - arrangements for protection of EU financial interests and transparency of operations - right of the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) to comprehensively exert their competences to 	<p>Creation of a checklist of <i>lessons learned</i> from prior similar DAs</p> <p>Ex-ante evaluation of new DA by ad hoc DG GROWTH Task Force</p> <p>Inter-service consultation of relevant Commission services</p> <p>Hierarchical validation within the authorising department</p> <p>Adoption of new DA by the Commission</p> <p>Modalities of cooperation, supervision and reporting</p> <p>Explicit allocation of supervision responsibility to individual officials (reflected in task assignment or function)</p>	<p>Coverage/Frequency: 100 %/once</p> <p>Depth: Checklist includes a list of the requirements of the regulatory provisions to be complied with.</p> <p>Factors would be (i) whether it is an establishment or a prolongation, (ii) whether it involves selecting an entity and (iii) consistency with any other entities entrusted by the same DG or family.</p>	<p>Costs: estimation of FTEs involved in the preparation and adoption work</p> <p>Benefits:</p> <ul style="list-style-type: none"> - Total budget amount entrusted to the entity in case of detection of no significant (legal) errors - DG GROWTH reputation intact 	<p>Effectiveness:</p> <ul style="list-style-type: none"> - Quality of the legal work (Basic Act, Legal and Financial Statement and DA) - no ECA or OLAF criticism <p>Efficiency:</p> <ul style="list-style-type: none"> - Average cost of preparation, adoption work done compared with similar cases as benchmark <p>Cost-Effectiveness:</p> <ul style="list-style-type: none"> - ratio FTEs/funds entrusted (economic when below 10-15 %)

Main risks	Mitigating controls	Coverage frequency and depth	Costs and benefits of controls	Control indicators
audit the entrusted funds Specific risks related to industrial procurement to be carried out by ESA on behalf of GROWTH in the complex oligopolistic space market	descriptions) Ex-ante verification by DG GROWTH of industrial procurements procedures carried out by the EE on behalf of DG GROWTH			

Stage 2 – Ex-ante (re)assessment of the entrusted entity’s financial and control framework

Main control objectives: Ensuring that the EE is fully prepared to start/continue implementing the delegated funds autonomously with respect of all 5 Internal Control Objectives (ICOs) (*legality and regularity, sound financial management, true and fair view reporting, safeguarding assets and information, anti-fraud strategy*).

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<ul style="list-style-type: none"> - Before entrusting tasks of budget implementation to the EE, DG GROWTH has not obtained evidence that the financial and control framework deployed by the EE is sufficiently mature to guarantee achieving all 5 ICOs - The EE’s own financial framework differs from the EU FR and the two parallel systems coexist with the risk of the EE’s own system being applied to EU funds - The EE has not timely informed DG GROWTH 	<ul style="list-style-type: none"> - DG internal or independent external ex-ante assessment, conditional to granting budget autonomy - Hierarchical validation within the authorising department - Require justification and prior consent for any deviation to financial rules (e.g. Riders or Contract Change Notices) - Require timely notification by the EE of any changes to its financial or control systems subsequent to 	<p>Coverage/frequency:</p> <ul style="list-style-type: none"> - <u>International organisations</u>: thorough assessment of internal control systems/once, followed if necessary by ad hoc targeted system controls - <u>Agencies</u>: targeted system controls/ad hoc - <u>AOXD</u>: reliance on other DG's control system <p>Depth:</p> <ul style="list-style-type: none"> - 100 % 	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of FTEs involved in the ex-ante assessment process (including missions) - cost of outsourced independent external “pillar” (re)assessment of the EE’s control system(s) <p>Benefits:</p> <ul style="list-style-type: none"> - Total budget amount entrusted to the EE if no significant system weaknesses are detected 	<p>Effectiveness:</p> <ul style="list-style-type: none"> - no ECA or OLAF criticism - n° of recommendations proposed to EE as result of assessment (i.e. deviations from EU FR identified) - quality of ex-ante assessment <p>Efficiency Indicators:</p> <ul style="list-style-type: none"> - Time-To-Implement recommendations (by the EE) - Time-To-(Re)Assess <p>Cost-effectiveness:</p> <ul style="list-style-type: none"> - ratio FTEs/funds entrusted (economic

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
about substantial changes made to its systems, rules and procedures that relate to the management of the EU funds entrusted	the signature of the DA - Statement obtained from another DG which also has a DA with the EE		- DG's reputation remains intact	when below 10-15 %)

Stage 3 – Operations: monitoring, supervision, reporting

Main control objectives: Ensure that the DA objectives are achieved and that DG GROWTH is fully and timely informed of any relevant management issues encountered by the EE, in order to possibly mitigate any potential financial and/or reputational impacts (legality & regularity, sound financial management, true and fair view reporting, anti-fraud strategy).

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<ul style="list-style-type: none"> - Low quality programme results, delayed programme implementation, non-achievement of policy objectives / desired impact on society. - Due to weak modalities of cooperation, supervision and reporting, DG GROWTH is not fully and timely informed of relevant financial and/or management issues encountered by the EE, and/or does not (timely) react upon notified issues by mitigating them or by making a reservation for them – which may reflect negatively on the DG's 	<p>Detailed reporting modalities included in DA (incl. regular programme evaluation).</p> <p>Reinforced monitoring:</p> <ul style="list-style-type: none"> - increased participation in EE's governance bodies and technical committees - detailed analysis of all reports submitted by the EE; if necessary, request additional ad hoc reports - outsourcing of technical assistance on general programme management and ad hoc topics (e.g. asset management, systems audits) 	<p>Coverage: 100 % of the entities are monitored/supervised.</p> <p>Frequency:</p> <ul style="list-style-type: none"> - daily (operational/financial/technical issues) - monthly (briefings and reports for high level governance meetings) - quarterly (report analysis) - annual (AOXD reports, review of Annual Reports for reservations) <p><u>In case of operational / financial issues, measures are reinforced.</u></p>	<p>Costs: estimation of FTEs involved in monitoring and supervision (including missions).</p> <p>Benefits:</p> <ul style="list-style-type: none"> - Total budget amount entrusted to the EE if no significant (legal, management, accounting, fraud, reporting) errors are detected - DG's reputation remains intact 	<p>Effectiveness:</p> <ul style="list-style-type: none"> - DA objectives achieved on time - cut-off and closure exercise carried out within deadline - relevance, reliability and quality of control data reported back by EE - n° of serious IAS or ECA findings on control failures - n° of regular monitoring actions, n° of issues under reinforced monitoring, budget % value and amount of errors detected ex-post - Parent DG's AAR assurance on EEs budgets <p>Efficiency Indicators:</p>

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<p>governance reputation and quality of accountability reporting.</p> <ul style="list-style-type: none"> - EE's financial and control systems are not functioning as expected, even though the outcome of the system (re)assessment was satisfactory (e.g. assets not correctly registered in EEs accounts) 	<ul style="list-style-type: none"> - regular EE audits by DG GROWTH, IAS, ECA and close follow-up of implementation of audit recommendations - management review of the supervision results (e.g. monthly GROWTH -ESA meeting at Director-General level) - set up of ad hoc GROWTH - EE Task Forces to tackle problematic issues - if necessary, referral to OLAF 	<p>The depth depends on the <u>mandate</u> given to the entity, and on the level of DG GROWTH access to the EE's internal control information.</p>		<ul style="list-style-type: none"> - no amendments to DA to extend programme implementation deadline - DA renewed - Time-To-Implement audit recommendations <p>Cost-effectiveness:</p> <ul style="list-style-type: none"> - ratio FTEs/funds entrusted (economic when below 10-15 %)

Stage 4 – Commission contribution: payment or suspension/interruption

Main control objectives: Ensure that the Commission fully assesses the management situation at the entrusted entity, before either paying out the (next) contribution for the operational and/or operating budget of the entity, or deciding to suspend/interrupt the (next) contribution (legality & regularity, sound financial management, anti-fraud strategy).

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<p>The Commission pays out the (next) contribution to the entrusted entity:</p> <ul style="list-style-type: none"> - while not being aware of management issues that may lead to financial and/or reputational damage - despite being aware of such issues 	<ul style="list-style-type: none"> - Require EE to report back on management issues as soon as possible - Ex-ante operational and financial verifications leading to correction of errors and restatement of corrected contribution 	<p>Coverage: 100 % of the contribution payments.</p> <p>Frequency: as per transfer agreement or transfer request</p> <p>The depth depends on the <u>mandate</u> of the (type of) entity, inter alia whether</p>	<p>Costs: estimation of FTEs involved in the ex-ante verifications</p> <p>Benefits:</p> <ul style="list-style-type: none"> - value of errors detected by ex-ante controls - Total budget amount entrusted to the entity if no significant (legal, 	<p>Effectiveness:</p> <ul style="list-style-type: none"> - amount of unused operating budget recovered (if any) - budget amount of the suspended/interrupted payments (if any). <p>Efficiency Indicators:</p> <ul style="list-style-type: none"> - Time-To-Pay /Recover

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<ul style="list-style-type: none"> - with incorrect calculation of the cash needs of the entrusted entity - with no implementation of the audit results by the entrusted entity 	<ul style="list-style-type: none"> request - Management review of supervision results - Hierarchical validation of contribution payment and recovery of non-used funds - If necessary, suspension or interruption of payments 	DG GROWTH has full access to the entity's internal control information.	<ul style="list-style-type: none"> management, accounting, fraud, reporting) errors are detected - DG's reputation remains intact 	<p>Cost-effectiveness:</p> <ul style="list-style-type: none"> - ratio FTEs/funds entrusted (economic when below 10-15 %)

Stage 5 – Audit and evaluation, Discharge for decentralised agencies

Main control objectives: Ensuring that assurance building information on the EE's activities is being provided through independent sources as well, which may confirm or contradict the management reporting received from the entrusted entity itself (on the 5 ICOs).

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<ul style="list-style-type: none"> - The Commission has insufficient information from independent sources on the EE's management achievements, which prevents drawing conclusions on the assurance for the budget entrusted to the Entity – which may reflect negatively on the Commission's governance reputation and quality of accountability reporting - Decentralised agencies do not fully cooperate with 	<ul style="list-style-type: none"> - DA to specify independent audit function and cooperation with IAS and ECA - DG GROWTH own on-the-spot ex-post audits of the EE and/or its beneficiaries - potential escalation of any major governance-related issues - Interim evaluations by independent experts of achievement of policy 	<p>Coverage: All delegation agreements are checked through samples.</p> <p>The subsidies to the EASME and GSA, the budget executed on behalf of DG GROWTH by them and EU agencies are checked by the European Court of Auditors. DG GROWTH does not perform ex-post audits on these agencies. The AOXD's systems are presumed</p>	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of FTEs involved in the coordination and execution of the own audits - Ex-post audit mission costs - Cost of outsourced audits <p>Benefits:</p> <ul style="list-style-type: none"> - Assurance of the AOD that the population audited is clean of 	<p>Effectiveness:</p> <ul style="list-style-type: none"> - unqualified opinion by the EE's independent external auditor on the EE's annual financial statements - detected error rate of own ex-post audits of EE below materiality threshold - n° of own audits - n° and amount of errors detected by own audits <p>Efficiency:</p>

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<p>the Discharge authorities and do not provide, as appropriate, any necessary additional information</p> <ul style="list-style-type: none"> - The entrusted AOXD's control system is subject to AAR reservations and/or ECA criticism 	<p>objectives</p> <ul style="list-style-type: none"> - if necessary, referral to OLAF 	<p>to be up to Commission standards.</p> <p>Frequency: once a year</p> <p>The depth depends on the <u>mandate</u> of the (type of) entity, inter alia whether the Commission has full access to the entity's internal control information.</p>	<p>error</p> <ul style="list-style-type: none"> - % rate and value of errors detected by own audits (and subsequently corrected) 	<ul style="list-style-type: none"> - value of total payments audited - Number of audits launched in the year versus annual target - Number of audits closed in the year versus annual target <p>Cost-effectiveness:</p> <ul style="list-style-type: none"> - ratio: annual cost of own audits / amount of all errors detected - average cost per audit

ICT N° 2: Financial Instruments

This ICT covers: Financial Instruments entrusted to international financial institutions under indirect management (2014-2020). Delegation Agreement (DA) signed by DG GROWTH with the **European Investment Fund (EIF)** for the implementation of the COSME Financial Instruments, namely the Loan Guarantee Facility (LGF) and the Equity Facility for Growth (EFG).

Stage 1 – Set-up/design of the Financial Instrument and designation of International Financial Institution

Main control objectives:

- Ensuring that the Financial Instrument is adequate for meeting the policy or programme objectives (effectiveness); Compliance (legality & regularity); Prevention of fraud (anti-fraud strategy)
- Ensuring that the most promising International Financial Institution is pre-determined or selected to ensure that the Financial Instrument is implemented effectively and efficiently; Sound financial management; Legality and regularity; Fraud prevention and detection

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<p>The actions supported through the Financial Instrument do not adequately reflect the policy objectives for the COSME financial instruments as set out in the COSME Regulation 1287/2013 of 11 December 2013, specifically articles 8, 17, 18 and 19.</p> <p>The Delegation Agreement is inadequate in coverage of operational and management provisions (no compliance with Financial Regulation (FR) art. 140 and Rules of Application (RAP) art. 217 & 222-225)</p>	<ol style="list-style-type: none"> 1. Ex-ante assessment for financial instruments has been carried out 2. Market test conducted prior to the design of the Loan Guarantee Facility (LGF) 3. Main principles agreed in the Financial and Administrative Framework Agreement signed with the EIF 4. Adequacy of the Delegation Agreement (DA) signed between DG GROWTH and the entrusted entity (European Investment Fund – EIF): <ul style="list-style-type: none"> • <i>DA contains detailed provisions with</i> 	<p>If risk materialises, the Financial Instrument could become irregular or miss the achievement of the policy objectives.</p> <p>Possible impact 100 % of funds involved and significant reputational consequences.</p> <p>Coverage / Frequency for DA: 100 % / once</p> <p>Depth for DA: In-depth control, full engagement of operational and financial unit resources</p>	<p>Costs: estimation of cost of staff involved in the preparation and validation of the delegated acts of the Financial Instrument including the ex-ante evaluation.</p> <p>Benefits: The (average annual) budget entrusted to the EIF for the COSME financial instruments</p>	<p>Effectiveness:</p> <ul style="list-style-type: none"> • Quality of the DA <p>Efficiency:</p> <ul style="list-style-type: none"> • Time-to-entrust: <ul style="list-style-type: none"> ○ time from adoption of COSME legal base to DA signed ○ time between signature of Financial and Administrative Framework Agreement and signature of DA ○ time between signature of DA and calls for expression of interests published for the LGF and the EFG <p>Cost-effectiveness:</p>

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
	<p><i>regard to the follow-up on the achievement of policy objectives</i></p> <ul style="list-style-type: none"> • <i>Fee payments to EIF are linked to achievement of measurable policy objectives;</i> • <i>DA was approved following Commission inter-service consultation (including all relevant DGs, horizontal and operational);</i> • <i>DA negotiations required substantial time and resources to ensure that all financial, operational and policy aspects are covered in sufficient detail to allow adequate management and follow-up of financial instruments until their wind-down (expected for 2034)</i> <p>5. Annual approval of work programme by the COSME Member State Committee</p>	<p>Coverage / Frequency for annual work programme: 100 % / annually</p>		<ul style="list-style-type: none"> • Ratio: FTEs invested in the drafting, negotiation and signature of the Financial and Administrative Framework Agreement and DA / total budget entrusted

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<p>The selection of the International Financial Institution is not in line with FR and its Rules of Application criteria, especially 'alignment of interests'</p>	<p>Selection of the EIF as entrusted entity:</p> <ul style="list-style-type: none"> • <i>In line with Art. 58.1(c)(iii) FR</i> • <i>EIF explicitly indicated in the COSME Regulation as a possible entrusted entity for the EFG (Art. 18.4(a)) and the LGF (Art. 19.4)</i> <p>Alignment of interest with the EIF was achieved through:</p> <ul style="list-style-type: none"> • <i>Requirement for systematic co-investment of EIF own resources under the EFG</i> • <i>A fee structure to compensate the EIF for the implementation of the financial instruments which is linked to the achievement of the policy objectives</i> 	<p>Coverage / Frequency: 100 % / once</p>	<p>Costs: estimation of cost of staff involved</p> <p>Benefits:</p> <ul style="list-style-type: none"> • Use of experienced entrusted entity in the field of European SME financing • Single entrusted entity for both COSME financial instruments (LGF & EFG) allowing full flexibility in budget implementation and use of funding in the most efficient and effective way • Only one counter-party for DG GROWTH for implementation of COSME financial instruments in all participating countries to the COSME programme 	<p>Effectiveness:</p> <ul style="list-style-type: none"> • Use of EIF as entrusted entity allowed full flexibility in negotiations taking also into consideration the IFIs experience and procedures <p>Efficiency:</p> <ul style="list-style-type: none"> • Time-to-entrust <p>Cost-effectiveness:</p> <ul style="list-style-type: none"> • Use of EIF avoided costly and lengthy selection procedure of International Financial Institution
<p>The International Financial Institution does not have the experience and financial</p>	<p>Ex-ante assessment of the EIF in accordance with articles 61(1) and 60(2) FR (the so-called</p>	<p>Coverage / Frequency: 100 % / once</p>		

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
capacities as well as the administrative and control capacities to ensure effective and sound implementation of the Financial Instrument	six pillar assessment) successfully carried out prior to the signature of the Financial and Administrative Framework Agreement			

Stage 2 – Implementation of the Financial Instrument by the International Financial Institution, via financial intermediaries

Main control objectives:

- Ensuring that the funds allocation is optimal (best value for public money; effectiveness, economy, efficiency); ensuring that the most promising Financial Intermediaries, Final Recipients are selected to meet the policy objectives (effectiveness)
- Ensuring that the remuneration paid to the International Financial Institution is adequate (cost-effectiveness)
- Compliance (legality & regularity); Prevention of fraud (anti-fraud strategy); Safeguarding of assets and information; Reliable reporting (true and fair view)

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
The call for and selection of the contracted (sub-) financial intermediaries is not in line with FR its Rules of Application criteria for eligibility or exclusion, especially 'alignment of interests' and 'no relations with offshore banking and tax havens'	<p>1. Preventive measures:</p> <ul style="list-style-type: none"> • Calls for expression of interest published for the financial instruments have been built on the detailed provisions contained in the DA • Approval of the texts of the calls by the Designated Service (DG GROWTH) prior to their publication <p>2. Due diligence by EIF</p> <ul style="list-style-type: none"> • The EIF has to check the fulfilment of the eligibility conditions of 	<p>Coverage / Frequency: 100 % / once (as continuous call for expression of interest)</p> <p>Depth: detailed provisions determined by the EIF in accordance with the DA, including objective selection and award criteria as well as reporting details</p> <p>Coverage / Frequency: 100 % / on a</p>	<p>Costs: estimation of cost of staff involved in the preparation and validation of the calls and the follow-up of selection of financial intermediaries</p> <p>Benefit of controls:</p> <ul style="list-style-type: none"> • A detailed call for expression of interest (including selection and award criteria + detailed reporting provisions) reduces the risk of unequal treatment of financial intermediaries 	<p>Effectiveness:</p> <ul style="list-style-type: none"> • n° of (successful) challenges received from financial intermediaries on selection procedure • n° of controls resulting in the rejection of selected financial intermediaries or Final Recipients • value of equity/loans to be cancelled as a result of these controls • Selected financial intermediaries meet

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<p>The design of the accounting and reporting arrangements would not provide sufficient transparency (True & Fair View)</p>	<p>potential financial intermediaries based on agreed procedures in the DA and/or the EIF's own procedures</p> <p>3. Pre-screening of potential financial intermediaries by DG GROWTH (ex-ante controls):</p> <ul style="list-style-type: none"> Information on potential financial intermediaries submitted by the EIF to DG GROWTH through regular pipeline reports Prior information of DG GROWTH on pre-selected FIs before they are being proposed to the EIF board for approval <p>Implementation of accounting and reporting arrangements by the EIF in accordance with the provisions and principles set out in the DA, to be transposed also into agreements with the selected financial intermediaries where</p>	<p>continuous basis (as applications can be submitted to the EIF by a FI at any given point in time)</p> <p>Depth: very detailed</p> <p>Coverage / Frequency: 100 % / on a continuous basis (as applications can be submitted to the EIF by a financial intermediaries at any given point in time)</p> <p>Depth: Basic information is provided by the EIF about the proposed transactions, allowing DG GROWTH to assess a limited number of eligibility criteria.</p> <p>Coverage / Frequency: Risk-based or representative sample / on a continuous basis</p>	<p>applying for support and ensures uptake of the COSME financial instruments</p> <ul style="list-style-type: none"> Ex-ante and ex-post controls of selected financial intermediaries ensure that financial intermediaries meet the exclusion and eligibility criteria and that COSME funding is spent in accordance with provisions of legal base and FR (avoids waste of resources) <p>Costs: estimation of cost of staff involved in accounting, analysis of reports and handling of identified deficiencies</p>	<p>the exclusion and eligibility criteria set out in the DA</p> <p>Efficiency:</p> <ul style="list-style-type: none"> Time-to-select (e.g. time between due diligence and approval of financial intermediaries by the EIF Board) Time-to-contract (e.g. time between the selection procedure and the signature of agreements between EIF and financial intermediaries) <p>Cost – Effectiveness</p> <p>Ratio: FTEs + other costs of controls (on-spot controls, outsourcing of technical assistance) / amount implemented</p> <p>Effectiveness:</p> <ul style="list-style-type: none"> Number of verification failures detected; value of the issues concerned prevented/corrected Number of qualified audit opinions from independent auditors Quality of reports

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<p>The remuneration (structure and/or level) of the International Financial Institution ⁸⁵ and the reimbursement of any exceptional costs would not be in line with the Sound Financial Management</p>	<p>applicable:</p> <ul style="list-style-type: none"> EIF is required to carry out ex-ante and ex-post controls, on-the-spot verifications Harmonised financial reporting has been required by the Commission (cf. Financial and Administrative Framework Agreement and DAs) Separate records per COSME Financial Instrument are to be kept by the EIF <p>Application of the international financial and reporting standards</p> <p>Fees, including administrative fees, incentive fees, treasury management fees and any exceptional unforeseen, expenses, are defined in the Financial and</p>	<p>100 % / annually</p> <p>100 % / on a continuous basis for a period of 7 years following the end of the implementation period</p>	<p>Costs: estimation of cost of staff involved in the financial workflow</p> <p>Benefits: no undue payment of fees or exceptional expenses</p>	<p>Efficiency:</p> <ul style="list-style-type: none"> Timely reporting by the International Financial Institution <p>Effectiveness:</p> <p>N° of non-compliance events against Financial and Administrative Framework Agreement /DA and internal DG GROWTH financial procedures</p> <p>Cost-effectiveness:</p> <p>Ratio of remuneration and costs versus actually managed funds</p> <p>Cost of control FTEs / value of errors detected</p>

⁸⁵ Remuneration may include administrative fees, treasury management fees and incentives as well as exceptional and unforeseen expenses.

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<p>During the operations, the policy objectives reflected under the DA in terms of eligible financial intermediaries and Final Recipients and/or the compliance, eligibility, reporting and other contractual obligations requirements would not be respected</p>	<p>Specific provisions in the DA:</p> <ul style="list-style-type: none"> Quarterly operational reporting to be provided for the implementation of LGF and EFG, including achievement of policy objectives (e.g. amount of financing / investments made available to eligible final recipients, number of eligible final recipients, leverage achieved) EIF is required to carry out monitoring and controls, including on-the-spot verifications, covering financial intermediaries, financial sub-intermediaries where applicable and Final Recipients and to provide an annual report on the monitoring activities carried out, summarising the findings and follow-up activities <p>The agreements between the EIF and the financial intermediaries contain</p>	<p>Coverage / Frequency: 100 % / quarterly Risk-based or representative sample / on a continuous basis for the monitoring and control activities</p>	<p>Costs: estimation of cost of staff involved in the monitoring and supervision</p> <p>Benefits: Regularity and legality of operations, respect of policy objectives</p>	<p>Effectiveness: Reaching the indicators set out in the COSME legal base over the lifetime of the COSME programme (accumulative data)</p>

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
	relevant reporting, monitoring and audit obligations.			

Stage 3 - Monitoring and supervision of the Financial Instrument by the Commission, including ex-post controls and assurance building

Main control objectives:

- Ensuring that the operational results (deliverables) from the Financial Instrument are of good value and meet the objectives and conditions (effectiveness & efficiency); ensuring that the related financial operations comply with regulatory and contractual provisions (legality & regularity); prevention of fraud (anti-fraud strategy); ensuring appropriate accounting of the operations (reliability of reporting, safeguarding of assets and information)
- Ensuring appropriate accounting of the repayments and assigned revenue made (reliability of reporting)
- Ensuring that the (audit) results from the ex-post controls lead to assurance for the accountable AOD (5 ICOs)

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
The entrusted entity provides support to activities which are not contributing to achieving the policy objectives and the implementation is not in compliance with applicable regulations and is not in accordance with the principle of sound financial	Monitoring or supervision ⁽⁸⁶⁾ of the EIF as set out in the DA and FAFA Regular reporting by the EIF to DG GROWTH (Designated Service) on the operational and financial performance, including the financial	Coverage: <ul style="list-style-type: none"> • Step 1: Representative sample of transactions carried out • Step 2: Identified deficiencies leading to more in-depth 	Costs: <ul style="list-style-type: none"> • estimation of the cost of staff involved in the monitoring of the Financial Instrument. • Cost of contracted services, if any. • Cost of audits 	Effectiveness: <ul style="list-style-type: none"> • Unqualified audit opinions • Number of control failures detected; value of the issues concerned prevented/corrected • Detected error rate

⁸⁶ The nature of these measures is similar. We distinguish between those cases in which the Commission has a direct (legal/contractual) say in the management process, such as the right to block ex-ante a transaction (supervision), or can merely flag its disagreement (monitoring), and influence the fundamental options foreseen under the Final Recipients related to stopping/suspending/reconfiguring/winding-down.

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<p>management Internal control weaknesses, irregularities, errors and fraud are not detected and corrected by the entrusted entities, resulting in that the EU funds are not achieving the policy objectives and are in non-compliance with applicable regulations</p> <p>The Financial Instrument transactions lead to contingent liabilities for the EU</p>	<p>statements, management declaration, summary of audits and controls carried out during the reporting year (to be discussed also in the respective LGF and EFG Steering Committees)</p> <p>Independent audit opinion In case of weak reporting, negative audit opinion, high risk operations, etc.: reinforced monitoring/ supervision controls, random and/or case/risk-based audits at the IFI and (sub) Financial Intermediary levels. Adoption of a dedicated ex-post control strategy and methodology for the auditing of financial instruments Capacity building among auditors by exchange of expertise between the different designated services managing financial instruments, as well as with the ECA and</p>	<p>controls and/or audits. Depth: depends on risk criteria</p>	<p>Benefits:</p> <ul style="list-style-type: none"> • funds used for intended purpose • detection of any non-compliance events (value) 	<p>resulting from ex-post audits</p> <ul style="list-style-type: none"> • Number and value of internal control, auditing and monitoring "issues", number of interventions, number of issues under reinforced internal control, auditing and monitoring, number of critical IAS and ECA findings • Number of cases submitted to OLAF <p>Efficiency: Timely delivery of reports and their reliability</p> <p>Cost-Effectiveness: Management (fees) and supervision costs (FTE) over assets under management Average cost per Financial Instrument; % cost over value delegated Costs/Benefits ratio</p>

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<p>The governance chain between the responsible and</p>	<p>IAS.</p> <p>Update of the anti-fraud strategy to include risk-based controls on financial instruments</p> <p>Definition of an acceptable materiality threshold for financial instruments</p> <p>Referring Financial Intermediaries to OLAF</p> <p>DA provisions:</p> <ul style="list-style-type: none"> • EU exposure/liability limited to the EU Contribution Committed • Official notification procedure on the EU Contribution Committed (including repayments) • Currency exposure fully hedged upfront <p>Regular submission of disbursement and repayment (assigned revenue) forecasts</p> <p>Reporting on financial risk & off-balance-sheets liabilities</p> <p>Reporting on treasury management</p>			

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
the accountable parties involved is unclear (Commission, International Financial Institution, Financial Intermediaries, sub- Financial Intermediaries and Final Recipients)	Clear provisions in the DA on governance chain and frequency/deadlines of reports			

This ICT covers: the physical assets of the GNSS and Copernicus space programmes

Stage 1 – Recognition: establishment of the Commission's rights on assets in the underlying agreements

Main control objectives: Negotiation of contractual terms. Ensure that the legal framework (Delegation Agreements with entrusted entities) for the management of the EU assets is fully compliant and regular (legality & regularity) with an appropriate set-up of requirements related to the safeguarding of assets, inventory management and accounting information (true and fair view).

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<p>Delegation Agreement does not clearly set out :</p> <ul style="list-style-type: none"> - delegated tasks - the requirements related to the ownership, safeguarding and management of EU property - internal control and reporting requirements to be observed - arrangements for protection of EU financial interests and transparency of operations - right of the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) to comprehensively exert their competences to audit the entrusted funds 	<p>1) Investment of adequate time and effort in drafting the new DA:</p> <ul style="list-style-type: none"> - Inter-service consultation of relevant Commission services - Hierarchical validation and financial circuits within the authorising department - Detailed and unambiguous modalities of cooperation, supervision and reporting - Stipulations with regard to transfer of ownership and the detailed asset management and reporting requirements 	<p>Coverage/Frequency 100 %/once</p> <p>Depth: In-depth control, full investment of GROWTH operational, financial and legal units</p>	<p>Costs: estimation of FTEs involved in the preparation and adoption work</p> <p>Benefits:</p> <ul style="list-style-type: none"> - Proper safeguarding of the EU property - DG GROWTH reputation intact - Cost-efficient implementation of the Delegation Agreement 	<p>Effectiveness:</p> <ul style="list-style-type: none"> - Quality of the legal work (Basic Act, Legal and Financial Statement and DA) - Timely receipt of adequate reporting in line with requirements Delegation Agreements - no ECA, IAS or OLAF criticism <p>Efficiency:</p> <ul style="list-style-type: none"> - Time and average cost of preparation, adoption work done compared with similar cases as benchmark <p>Cost-Effectiveness:</p> <ul style="list-style-type: none"> - ratio FTEs/funds entrusted (economic when below 2 %)

Stage 2 – Protection: recording, ensuring correct asset valuation

Main control objectives: Ensuring that the Commission registers and protects its asset correctly, including the safeguarding of assets and reliable and accurate asset valuation and reporting (true and fair view)

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<p>The implementation of the Delegation Agreements entail weaknesses, which lead to the Commission's legal rights in terms of assets ownerships not being duly protected and/or registered and/or reliably reported</p> <p>Non respect of EU accounting rules regarding assets and inventories</p> <p>Inaccurate valuation of assets</p>	<p>Clear programme specific accounting guidelines, inspection, depreciation and de-commissioning rules</p> <p>Formal agreement of Accounting Officer asked for accounting decisions with a material impact</p> <p>Organisation of asset workshops with the entrusted entities</p> <p>Regular meetings of the asset working group with members from the accounting team, DG for Budget and operational units</p> <p>In depth ex-ante controls of accounting data, including sample-wise ex-ante checks of underlying cost and regular checks of inventories</p>	<p>Coverage/Frequency: Full coverage/yearly</p> <p>Depth: In-depth control, full investment of GROWTH accounting team in co-operation with operational units</p>	<p>Costs: estimation of cost of staff involved. Cost of the contracted services (if applicable)</p> <p>Benefits: The (average annual) total value of the significant errors detected and thus prevented in terms of the Commission's rights</p>	<p>Effectiveness: Number of material internal and external audit findings about incorrect valuation of assets</p> <p>The valuation of assets within the deadlines imposed by DG for Budget</p> <p>Efficiency: Time spent on controls related to the asset value</p> <p>Cost-Effectiveness: Cost of valuation and accounting of the Commission's assets and evolution over time</p>

Stage 3 – Overall monitoring of proper safeguarding of assets

Main control objectives: Ensuring that the Commission’s property is safeguarded properly

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<p>Lack of complete and reliable assets register</p> <p>Lack of safeguarding of assets (for example assets lost, damaged or disposed without prior permission of the EU)</p>	<p>Physical inspection of assets under EU ownership</p> <p>Formal procedure for disposal of assets</p> <p>Other monitoring measures adequate to the programme (i.e. monitoring of asset performance, signal provision)</p>	<p>Performance of physical inspections on the basis of the Multi-annual assets verification programme on a risk based approach with the objective of 75 % coverage in three year time</p>	<p>Costs: estimation of cost of staff & missions involved.</p> <p>Benefits: assurance on the existence and safeguarding of the total value of EU assets</p> <p>Budget value of items lost detected</p>	<p>Effectiveness: Value of assets inspected per three years as % of net asset (equipment) value Number of follow-up actions</p> <p>Efficiency: Time spent and cost of missions related to the value of assets inspected</p> <p>Cost-Effectiveness: Cost of inspections of the EU assets and evolution over time</p>

Stage 4 - Ex-Post controls: supervision monitoring, reviews, audits – plus corrections

Main control objectives: Measuring the effectiveness of ex-ante controls; detect and correct any error with regard to the underlying cost remaining undetected after the implementation of ex-ante controls. Ensuring that the appropriate corrections are being made

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<p>The ex-ante controls fail to prevent, detect and correct errors in the valuation of the assets</p>	<p>Ex-post audits of cost reported by the entrusted entities that form the basis for the EU asset valuation</p>	<p>Coverage ex post audits:</p> <ul style="list-style-type: none"> Representative sample: random or MUS sample sufficiently 	<p>Costs: estimation of cost of staff involved in the supervision and audit strategy</p> <p>Benefits: budget value of the errors, detected</p>	<p>Effectiveness: Representative error rate below 2 %.</p> <p>Efficiency: total (average) annual cost of audits</p>

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
		<p>representative to draw valid management conclusions</p> <ul style="list-style-type: none"> • Risk-based sample, determined in accordance with the selected risk criteria, aimed to maximise error correction (either higher amounts or expected error rate). 	<p>by the auditors, which have actually been corrected.</p>	<p>compared with benefits (ratio).</p> <p>Cost-Effectiveness: Cost of ex-post audits of the underlying cost of asset valuation and evolution over time</p>

ICT N° 4: Procurement

This ICT covers: DG GROWTH own procurement under direct management, which is mostly for studies and technical assistance, but also for the operation of EGNOS. It also partially covers industrial procurement carried out by entrusted entities in the name and on behalf of DG GROWTH.

Stage 1 – Decision to launch a procurement procedure

A - Planning

Main control objectives: Effectiveness, efficiency and economy. Compliance (legality and regularity).

Main risks	Mitigating controls	Coverage frequency and depth	Costs and benefits of controls	Control indicators
<ul style="list-style-type: none"> - The procurement needs are not clearly defined or justified from an economic or operational point of view - Discontinuation of the services provided due to poor/late planning and organisation of the procurement process - Lack of expert knowledge and experience in the highly regulated field of procurement which may lead to the wrong choice of procedure/thresholds and the splitting of purchases - Conflict of interests 	<ul style="list-style-type: none"> - Publication of intended procurements - Validation of clear definition and justification of procurement needs by AOD before call launch - Decisions discussed/taken at management meeting - Detailed manual of budgetary and financial procedures available on the DG's intranet - Biannual in-house technical training on procurement management provided by the DG GROWTH Public Procurement and Grants Management Team of the Financial Resources and Internal 	<ul style="list-style-type: none"> - 100 % of forecast procurements are encoded in the DG GROWTH Planning Tool for monitoring 	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of FTEs involved and the related contract values (if external expertise is used) <p>Quantified Benefits:</p> <ul style="list-style-type: none"> - Amount of rejection of unjustified purchases <p>Non Quantified Benefits:</p> <ul style="list-style-type: none"> - Avoidance of litigation caused by a sudden discontinuation of the service provided - DG GROWTH reputation intact 	<p>Effectiveness:</p> <ul style="list-style-type: none"> - n° of ECA observations and % error rate on choice of procurement procedure - n° of legal cases caused by sudden discontinuation of service due to poor planning of procurement process

Main risks	Mitigating controls	Coverage frequency and depth	Costs and benefits of controls	Control indicators
	Control unit - Regular information on ethics, integrity and fraud awareness to all staff involved in the procurement process			

B - Needs assessment & definition

Main control objectives: Effectiveness, efficiency and economy. Compliance (legality and regularity).

Main risks	Mitigating controls	Coverage frequency and depth	Costs and benefits of controls	Control indicators
<ul style="list-style-type: none"> - Risk of not obtaining value for money due to lack of market analysis and/or poor definition of selection criteria - Risk of unequal treatment resulting in litigation, due to selection criteria favouring one contractor strengthening his potential monopolistic position) - Risk of not receiving the best offers due to the poor definition of the tender specifications (disproportion between contract value and selection/award criteria, or specifications too vague) - Risk of non-compliance with legality and regularity and criticism on choice of 	<ul style="list-style-type: none"> - Encourage use of open procedures, even in relatively closed markets - Technical specifications are prepared and validated by at least 2 staff members, and approved by the responsible operational Director before call launch - Verification and validation of tender documents by a specialised team for Public Procurement and Grants Management in the Financial Resources and Internal Control unit before call launch 	<ul style="list-style-type: none"> - 100 % of the specifications are verified at Director level. Depth may be determined by the amount and/or the impact on the objectives of the DG if it goes wrong - 100 % of the tenders above a financial threshold (e.g. > € 60 000) are reviewed. Depth risk-based, depending on sensitivity 	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of FTEs involved and the related contract values (if external expertise is used) <p>Quantified Benefits:</p> <ul style="list-style-type: none"> - Value of contracts for which the approval and supervisory control detected material error (negative opinion issued by the DG GROWTH Public Procurement and Grants Management team). <p>Non quantified Benefits:</p> <ul style="list-style-type: none"> - Limit the risk of 	<p>Effectiveness:</p> <ul style="list-style-type: none"> - N° of suspensive/negative Public Procurement and Grants Management opinions - N° of 'open' procedures or procedures where only one or no offers were received

Main risks	Mitigating controls	Coverage frequency and depth	Costs and benefits of controls	Control indicators
procedure due to limited competition and high proportion of negotiated procedures in the very technical, complex and oligopolistic space market			litigation - Limit the risk of cancellation of a tender	

C – Evaluation & Award

Main control objectives: Effectiveness, efficiency and economy. Compliance (legality and regularity). Fraud prevention and detection.

Main risks	Mitigating controls	Coverage frequency and depth	Costs and benefits of controls	Control indicators
<ul style="list-style-type: none"> - The most economically advantageous offer is not selected due to a biased, inaccurate or 'unfair' evaluation process - Over-consumption of resources (human and financial) due to errors or mismanagement leading to award decisions being contested (resulting in Court and Ombudsman cases) - Damage to the DG's reputation if fraud or criminal behaviour is discovered (conflict of interest) 	<ul style="list-style-type: none"> - All evaluations involve the use of opinions of more than one qualified official. The evaluation process is more regulated and formalised as the contract value increases. - Risk based approach: higher risk contracts have more in-depth checks - Review of and opinion on evaluation and award documents and process by a specialised team on Public Procurement and Grants Management in the Financial Resources and Internal Control unit before contract 	<ul style="list-style-type: none"> - Formal evaluation process: Opening and Evaluation committees for all tenders > € 60,000 including signature of declarations of absence of conflict of interests by the committee members - <u>Risk based approach:</u> 1) second review of evaluation and award documents and process by an ad hoc committee of independent Directors for procurements > € 10 million 2) validation of negotiated procedures > € 50 000 by the Director-General 	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of FTEs involved and the related contract values (if external expertise is used) <p>Quantified Benefits:</p> <ul style="list-style-type: none"> - Difference between the most onerous offer and the selected one - N° or value of contracts subject to complaints / irregularities - N° of procurements successfully challenged during standstill period <p>Non quantified Benefits:</p>	<p>Effectiveness:</p> <ul style="list-style-type: none"> - n° of ECA observations and % error rate concerning evaluation & award stage - n° of suspensive/negative Public Procurement and Grants Management opinions - n° of 'valid' complaints or Ombudsman or Court cases resulting from non-compliant procurement process - n° of instances of overriding controls in relation to procurement procedures

Main risks	Mitigating controls	Coverage frequency and depth	Costs and benefits of controls	Control indicators
	award	before call launch 3) validation of negotiated procedures > € 1 million by ad hoc committee of a Deputy Director-General and two independent Directors before call launch - 100 % of the offers are evaluated by more than one qualified official - 100 % of evaluations are checked. - Depth: required documents provided are consistent	- Compliance with FR - Best value for money	Efficiency: - Time-To-Contract - Time-To-Publication of selection results - Contract value/cost of FTEs involved in control of contracts

Stage 2 – Contract Management and Financial transactions

Main control objectives: Ensuring that the implementation of the contract is in compliance with the signed contract

Main risks	Mitigating controls	Coverage frequency and depth	Costs and benefits of controls	Control indicators
- Bad or non-execution by the contractor, leading to serious problems if contractual deliveries are critical and no short term alternatives are available (risk of over-dependency on certain contractors) - The products/services foreseen are not, totally or partially, provided in	- Checks on financial capacity and viability of contractors prior to awarding the contract - Close monitoring of contracts, with possible on-site verifications, particularly of high value contracts resulting from	- 100 % of the contracts are controlled, including only value-adding checks - For riskier operations, in-depth ex-ante verification - High risk operations identified by risk	Costs: - estimation of FTEs involved Quantified Benefits: - Amount of irregularities, errors and overpayments prevented by the controls	Effectiveness: - n° of ECA observations and % error rate relating to contract management /payment stage - N° of court cases resulting from contract execution problems

Main risks	Mitigating controls	Coverage frequency and depth	Costs and benefits of controls	Control indicators
<p>accordance with the technical description and requirements foreseen in the contract and/or the amounts paid exceed that due in accordance with the applicable contractual and regulatory provisions</p> <ul style="list-style-type: none"> - Risk of bad execution due to undetected errors on uncorrected imprecisions in offers or tendering specifications - Business discontinues, because contractor fails to deliver - Plagiarism (studies, reports) - Fraud 	<p>negotiated procedures</p> <ul style="list-style-type: none"> - Checks on both operational and financial issues carried out at appropriate level using the most qualified staff. As defined in the in accordance with the financial circuits - Operation authorisation by the Authorising Officer - Possibility to run a plagiarism check of reports submitted by contractor - Management of sensitive functions 	<p>criteria</p> <ul style="list-style-type: none"> - For high risk operations, reinforced monitoring of the respect of the timely achievement of the contract's milestones by the contractor 	<p>Non quantified Benefits:</p> <ul style="list-style-type: none"> - DG reputation intact 	<ul style="list-style-type: none"> - % budget execution rate – total amount committed/paid versus total budget envelope % of contracts for which the objectives were achieved n° of open critical and/or very important audit recommendations <p>Efficiency:</p> <ul style="list-style-type: none"> - Time-To-Pay - Late interest payment and damages paid (by the Commission) - Coverage of 1st and 2nd level ex-ante controls <p>Cost-effectiveness:</p> <ul style="list-style-type: none"> - Average n° of contracts per procurement control FTE - cost of control per running contract - % cost over annual amount disbursed

Stage 3 – Supervisory measures

Main control objectives: Ensuring that any weakness in the procedures (tender and financial transactions) is detected and corrected

Main risks	Mitigating controls	Coverage frequency and depth	Costs and benefits of controls	Control indicators
<ul style="list-style-type: none"> - An error or non-compliance with regulatory and contractual provisions, including technical specifications, or a fraud is not prevented, detected or corrected by ex-ante control, prior to payment 	<ul style="list-style-type: none"> - Supervisory desk review of procurement and financial transactions - Ex-post publication of contracts awarded (and subsequent publication in the EU Financial Transparency System) - Regular review of exceptions or non-compliance events reported - Regular review of the procurement process (self-assessment by DG Public Procurement and Grants Management Team) - System and transaction audits by IAS, ECA) and subsequent monitoring of implementation of recommendations for improvement - indicators on procurement are regularly reported 	<ul style="list-style-type: none"> - Ex-Post publication of contracts of a certain value in the Official Journal and the FTS - 100 % Depth: review any significant problem that occurred - Public Procurement and Grants Management examines a representative sample of procurement procedures in-depth (procurement and financial transactions) - 100 % of the sample at least once a year to determine any errors or systemic problems or weaknesses in the procedures (procurement and financial transactions) 	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of FTEs involved in the controls <p>Non Quantified Benefits:</p> <ul style="list-style-type: none"> - Systematic weaknesses corrected - Deterrent effect 	<p>Effectiveness:</p> <ul style="list-style-type: none"> - Amounts associated with errors detected (related to fraud, irregularities and error) and in % over total checked. - N° system improvements made <p>Efficiency:</p> <ul style="list-style-type: none"> - Average time-to-contract <p>Cost-effectiveness:</p> <ul style="list-style-type: none"> - Proportion of overall cost of control over total expenditure (payments authorised) - Costs of the ex-post controls and supervisory measures with respect to the 'benefits'.

ICT N° 5: Grants

This ICT covers: DG GROWTH grants under direct management, awarded in the framework of FP6, FP7, CIP, COSME, Internal Market, and Standardisation, as well as other ad hoc, action and operating grants.

Stage 1 – Programming, evaluation and selection of proposals

A - Preparation, adoption and publication of the Annual Work Programme (AWP) and Calls for proposals (Calls)

Main control objectives: Ensuring that the Commission receives and selects the proposals that contribute the most towards the achievement of the policy or programme objectives (effectiveness); Compliance (legality & regularity); Prevention of fraud (anti-fraud strategy)

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<ul style="list-style-type: none"> - Work Programmes and subsequent calls do not adequately reflect the policy objectives, priorities are incoherent and/or the essential eligibility, selection and award criteria are not adequate to ensure the evaluation of the proposals - Work Programmes are inconsistent within the other family DGs and with the 7 year framework - Work Programmes overlap with other programmes (by other DGs, e.g. Structural Funds) and could lead to double-funding - Calls are tailored to the advantage of certain candidates due to undue 	<ul style="list-style-type: none"> - Hierarchical validation within the authorising department - Inter-service consultation, including all relevant DGs - Adoption by the Commission <p><u>Recommended:</u></p> <ul style="list-style-type: none"> - Centralised checklist-based verifications - Explicit allocation of responsibility to individual officials (reflected in task assignment or function descriptions) - Ex-post monitoring: lessons-learned survey/discussion with evaluators 	<p>If risk materialises, all grants awarded during the year under this WP or call would be irregular. Possible impact: 100 % of budget involved and significant reputational consequences.</p> <p>Coverage / Frequency: 100 %</p> <p>Depth: All Work Programmes are thoroughly reviewed at all levels, including for operational and legal aspects.</p>	<p>Costs:</p> <ul style="list-style-type: none"> - Estimation of cost of staff involved in the preparation and validation of the Work Programmes and calls. Cost of contracted services, if any. <p>Benefits:</p> <ul style="list-style-type: none"> - Only qualitative benefits. A good Work Programme and well publicised calls should generate a large number of good quality projects, from which the most excellent can be chosen. There will therefore be real competition for funds. - The (average annual) total budgetary 	<p>Effectiveness:</p> <ul style="list-style-type: none"> - % of n° of calls successfully concluded / number of calls planned in Management Plan/Work Programme - % budget execution rate grant commitments <p>Cost-Effectiveness:</p> <ul style="list-style-type: none"> - average n° and value of running grants managed per control FTE - % cost of control for all stages over annual amount disbursed in grants - average cost of control per grant

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<p>influences from interest groups</p> <ul style="list-style-type: none"> - Calls are not adequately published and do not reach all target groups 			<p>amount of the Work Programmes or calls with significant errors detected and corrected.</p>	

B – Selecting and awarding: Evaluation, ranking and selection of proposals

Main control objectives: Ensuring that the most promising projects for meeting the policy objectives are among the proposals selected (effectiveness); Compliance (legality & regularity); Prevention of fraud (anti-fraud strategy)

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<ul style="list-style-type: none"> - Evaluation, ranking and selection of proposals not carried out in accordance with the established procedures, policy objectives and priorities - Eligibility, selection and award criteria too ambiguous or otherwise inadequate to ensure that grants are awarded to the actions which maximise the overall effectiveness of the EU programme - Unauthorised persons may have access to the electronic system for the management of the calls - Unequal treatment of applicants: inappropriate contacts and/or conflict of interests with certain 	<ul style="list-style-type: none"> - Selection and appointment of expert evaluators - Assessment of evaluation procedure by independent experts - Review of evaluation results by an ad hoc committee for big calls - Validation by the AO of ranked list of proposals. In addition, if applicable: opinion of advisory bodies; comitology; inter-service consultation, adoption by the Commission; publication - Redress procedure 	<ul style="list-style-type: none"> - 100 % vetting (including selecting) of expert evaluators for technical expertise and independence (e.g. conflicts of interests, nationality bias, ex-employer bias, collusion) - 100 % of proposals are evaluated - 100 % of ranked list of proposals. Supervision of work of evaluators. - 100 % of contested decisions are analysed by redress committee 	<p>Costs:</p> <ul style="list-style-type: none"> - Estimation of cost of staff involved in the evaluation and selection of proposals - Cost of the appointment of experts and of the logistics of the evaluation <p>Benefits:</p> <ul style="list-style-type: none"> - 'quality allocation' assurance of the whole committed budget (as it will have been checked ex-ante and is considered reasonable in the interests of the programme) <p>Qualitative benefits:</p>	<p>Effectiveness:</p> <ul style="list-style-type: none"> - % of proposals evaluated within the year/proposals received - % of n° of (successful) redress challenges / total n° of proposals received - Ratio of proposals received to proposals selected ("oversubscription" rate) - No litigation cases <p>Efficiency:</p> <ul style="list-style-type: none"> - Average Time-To-Publication of selection results (FR

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<p>applicants during the procedure</p> <ul style="list-style-type: none"> - Monopoly of certain bodies insufficiently justified 			<ul style="list-style-type: none"> - Expert evaluators from outside the Commission bring independence, state of the art knowledge in the field and a range of different opinions. This will have an impact on the whole project cycle : better planned, better executed projects 	<p>128.2)</p> <p>Cost-effectiveness:</p> <ul style="list-style-type: none"> - Average evaluation cost per proposal (external experts paid only) - % cost of control over annual amount disbursed in grants

Stage 2 - Contracting

Main control objectives: Ensuring that the most promising projects for meeting the policy objectives are among the proposals contracted; Ensuring that the actions and funds allocation is optimal (Sound Financial Management: best value for public money; effectiveness, economy, efficiency); Compliance (legality & regularity); Prevention of fraud (anti-fraud strategy)

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<ul style="list-style-type: none"> - After evaluation, the description of the action in the grant agreement remains unclear or still includes tasks which do not contribute to the achievement of the programme objectives - Inconsistencies exist between the grant agreement and its annexes - Procedures do not comply with regulatory framework 	<ul style="list-style-type: none"> - Systematic checks on operational and legal aspects performed before signature of the grant agreement - Project Officers implement evaluators' recommendations in discussion with selected applicants. Hierarchical validation of proposed adjustments. - Validation of beneficiaries 	<p>Coverage:</p> <ul style="list-style-type: none"> - 100 % of the selected proposals and beneficiaries are scrutinised - 100 % of draft grant agreements <p>Depth may be differentiated; determined after considering the type or nature of the beneficiary (e.g. SMEs, joint-ventures) and/or</p>	<p>Costs:</p> <ul style="list-style-type: none"> - Estimation of cost of staff involved in the contracting process <p>Benefits:</p> <ul style="list-style-type: none"> - Difference between the budget value of the selected proposals and that of the corresponding grant agreements (negotiation benefit) 	<p>Effectiveness:</p> <ul style="list-style-type: none"> - Reallocation of the EU contribution as a result of the negotiation process <p>Efficiency:</p> <ul style="list-style-type: none"> - Average Time-To-Grant <p>Cost-Effectiveness:</p> <ul style="list-style-type: none"> - % cost of control for all stages over annual amount

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<ul style="list-style-type: none"> - The beneficiary : <ul style="list-style-type: none"> ▪ has overestimated the costs necessary to carry out the action ▪ has made false declarations ▪ lacks operational and/or financial capacity to carry out the action ▪ is awarded several grants for a single action (double-funding by different DGs or other donors) 	<ul style="list-style-type: none"> (operational and financial viability) - Planning of (mid-term and final) evaluations. - Signature of the grant agreement by the AO. - In-depth financial verification and taking appropriate measures for high risk beneficiaries - Participant Guarantee Fund (FP7) 	<ul style="list-style-type: none"> of the modalities (e.g. substantial subcontracting) and/or the total value of the grant 		<ul style="list-style-type: none"> disbursed in grants

Stage 3 - Monitoring the execution: Project management - operational, financial and reporting aspects

Main control objectives: ensuring that the operational results (deliverables) from the projects are of good value and meet the objectives and conditions (effectiveness & efficiency); ensuring that the related financial operations comply with regulatory and contractual provisions (legality & regularity); prevention of fraud (anti-fraud strategy); ensuring appropriate accounting of the operations (reliability of reporting, safeguarding of assets and information)

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<ul style="list-style-type: none"> - The actions foreseen are not, totally or partially, carried out in accordance with the technical description and requirements foreseen in the grant agreement and/or the amounts paid exceed those due according to the applicable contractual and regulatory provisions 	<ul style="list-style-type: none"> - Kick-off meetings and "launch events" involving the beneficiaries in order to avoid project management and reporting errors - Effective external communication about guidance to the beneficiaries - Operational and 	<ul style="list-style-type: none"> - 100 % of the projects are controlled, including only value-adding checks - Riskier operations subject to more in-depth controls - The depth depends on risk criteria. However, as a deliberate policy to reduce 	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of cost of staff involved in the actual management of running projects <p>Benefits:</p> <ul style="list-style-type: none"> - part of budget value of the costs claimed by the beneficiary, but rejected by staff - Reductions in error 	<p>Effectiveness:</p> <ul style="list-style-type: none"> - % and value of reductions made to EC contribution paid out through the ex-ante desk checks / total value of cost claims desk-checked - % of payments suspended - n° of cost claims desk-checked

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<ul style="list-style-type: none"> - Reimbursement of ineligible costs by DG GROWTH (e.g. due to overinflated timesheets, subcontracting of core activities or without prior tendering procedure) - Several authorising officers implement the same programme and do not treat the beneficiaries equally, e.g. FP7 - Insufficient operational performance monitoring of beneficiaries by project officers 	<ul style="list-style-type: none"> financial checks in accordance with the financial circuits - Operation authorisation by the AO - For riskier operations more in-depth ex-ante controls. Scientific reviews if necessary. - When needed: application of suspension/interruption of payments, penalties or liquidated damages, earmark projects for risk-based ex-post audit, refer grant/beneficiary to OLAF 	<ul style="list-style-type: none"> administrative burden, and to ensure a good balance between trust and control, the level of control at this stage is reduced a to a minimum - High risk operations identified by risk criteria. Red flags: suspicions raised by staff, delayed interim deliverables, suspicion of plagiarism, unstable consortium, requesting many amendments, EWS or anti-fraud flagging, etc. - Audit certificates required for any beneficiary claiming significant EU contribution, e.g. in FP7 	<ul style="list-style-type: none"> rates identified by audit certificates - Budget value of penalties and liquidated damages - Benefits due to operational review of projects and consequent corrective actions imposed on projects 	<p>Efficiency:</p> <ul style="list-style-type: none"> - % and value of reductions made to EU contribution paid through ex-ante desk checks/total value of cost claims checked - Average n° & value of projects managed 'per' staff FTE - Average Time-To-Pay - Average payment suspension time (days) <p>Cost-Effectiveness:</p> <ul style="list-style-type: none"> - % cost of ex-ante control (cost/total amount of grant payments) - Average project management cost (staff FTE * standard staff cost) per running project

Stage 4 - Ex-Post controls

A - Reviews, audits and monitoring

Main control objectives: Measuring the level of error in the population after ex-ante controls have been undertaken; measure the effectiveness of ex-ante controls by ex-post controls; detect and correct any error or fraud remaining undetected after the implementation of ex-ante controls (legality & regularity; anti-fraud strategy); address systemic weaknesses in the ex-ante controls, based on the analysis of the findings (sound financial management); ensure appropriate accounting of the recoveries to be made (reliability of reporting, safeguarding of assets and information)

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<ul style="list-style-type: none"> - The ex-ante controls (as such) fail to prevent, detect and correct erroneous payments or attempted fraud to an extent going beyond an acceptable rate of error 	<ul style="list-style-type: none"> - Ex-post control strategy: at intervals carry out audits of a representative sample of operations to measure the level of error in the population after ex-ante controls have been performed. Additional sample to address specific risks - Carry out audits or desk reviews of a (representative) sample of operations to determine effectiveness of ex-ante controls - Multi-annual basis (programme's lifecycle) and coordination with other AOs concerned (to detect systemic errors). In case of systemic error detected, extrapolation to all the projects run by the audited beneficiary - Validate audit results with beneficiary - If needed: refer the beneficiary or grant to OLAF 	<ul style="list-style-type: none"> - Common Representative audit sample (CRaS); Monetary Unit Sample (MUS) across the programme to draw valid management conclusions on the error rate in the population, e.g. FP7 - GROWTH own risk-based sample, determined in accordance with the selected risk criteria, aimed to maximise deterrent effect and prevention of fraud or serious error, e.g. FP7 - Representative sample: random or MUS sample sufficiently representative to draw valid management conclusions (other GROWTH grants) 	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of cost of staff involved in the coordination and execution of the audit strategy. Audit mission costs. Cost of outsourced audits. <p>Benefits:</p> <ul style="list-style-type: none"> - <u>Quantifiable</u>: budget value of the errors detected by the auditor - <u>Non quantifiable</u>: Deterrent effect. Learning effect for beneficiaries. Improvement of ex-ante controls or risk approach in ex-ante controls by feeding back findings from audit. Improvement in rules and guidance from feedback from audit. 	<p>Effectiveness:</p> <ul style="list-style-type: none"> - (FP7) Cumulative Common Representative Error Rate - (other GROWTH grants) Detected Error Rate - (FP7) Cumulative Residual Error Rate in comparison to the materiality threshold - value of errors detected - Total and Average ex-post audit cost (in-house and/or outsourced) <p>Efficiency:</p> <ul style="list-style-type: none"> - N° of audits finalised - % of beneficiaries and of value covered by ex-post audits <p>Cost-Effectiveness:</p> <ul style="list-style-type: none"> - Total and average ex-post audit cost

B - Implementing results from ex-post audits/controls

Main control objectives: Ensuring that the (audit) results from the ex-post controls lead to effective recoveries (legality & regularity; anti-fraud strategy); Ensuring appropriate accounting of the recoveries made (reliability of reporting)

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<ul style="list-style-type: none"> - Errors, irregularities and cases of fraud detected are not addressed or not addressed timely 	<ul style="list-style-type: none"> - Systematic registration of audit / control results to be implemented - Financial and operational validation of recovery in accordance with financial circuits. - Authorisation by AO - Notification to OLAF and regular follow up of detected fraud 	<p>Coverage: 100 % of final audit results with a financial impact</p> <p>Depth:</p> <ul style="list-style-type: none"> - All audit results are examined in-depth in making the final recoveries - Systemic errors are extended to all the non-audited projects of the same beneficiary 	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of cost of staff involved in the implementation of the audit results <p>Benefits:</p> <ul style="list-style-type: none"> - budget value of the errors, detected by ex-post controls, which have actually been corrected (offset or recovered) <p>Loss:</p> <ul style="list-style-type: none"> - budget value of such ROs which are 'waived' or have to be cancelled 	<p>Effectiveness:</p> <ul style="list-style-type: none"> - Amounts being recovered and offset <p>Efficiency:</p> <ul style="list-style-type: none"> - Number/value/% of audit results pending implementation - Number/value/% of audit results implemented - Time-To-Recover <p>Cost-effectiveness:</p> <ul style="list-style-type: none"> - % cost of control for all stages over annual amount disbursed in grants

ANNEX 6: Implementation through national or international public-sector bodies and bodies governed by private law with a public sector mission

I. ESA (European Space Agency)

<p>Programmes concerned</p> <ul style="list-style-type: none"> – Global Navigation Satellite System (GNSS) programmes (Galileo and EGNOS) – Copernicus programme, previously known as the Global Monitoring for Environment and Security programme (GMES)
<p>Annual budgetary amount entrusted (amounts transferred in 2015)</p> <ul style="list-style-type: none"> – GNSS: € 555 million – GMES/Copernicus: € 460 million
<p>Duration of the delegation</p> <p>The current multi-annual Delegation Agreements were signed with the European Space Agency (ESA) in 2014 under the new EU MFF (2014-2020).</p> <p>A new Delegation Agreement was signed with the European Space Agency (ESA) in 2015 related to the Horizon 2020 research activities under the new EU MFF (2014-2020).</p>
<p>Justification of the recourse to indirect management</p> <p>EC-ESA Framework Agreement of May 2004 establishing a general frame for cooperation aiming to link demand for services and applications using space systems in support of the Community policies, with the supply of space systems and infrastructures necessary to meet that demand, and which foresees that each party shall provide the other party with expertise and support in its own specific fields of competence.</p> <p>The key role, <u>competence and expertise of ESA</u> being the European agency for research and development in the space domain, was recognised by the Resolution on the European Space Policy, unanimously approved by both the Council of the EU and the Council of the ESA, in Brussels on 22 May 2007 and confirmed by a further progress report on developments in the space domain presented to the Space Council in September 2008.</p>
<p>Justification of the selection of ESA</p> <p>Indication in the legal bases: Delegation Decisions⁸⁷, GNSS Regulation⁸⁸, GMES Regulation⁸⁹ under the former EU MFF (2007-2013) and GNSS Regulation⁹⁰, Copernicus Regulation⁹¹ and Horizon 2020 under the new EU MFF (2014-2020).</p>

⁸⁷ Commission Decision C(2008)8556 final of 17.12.2008 delegating powers to ESA in accordance with article 54 (2) (c) of Council Regulation (EC)1605/2002, for the performance of tasks linked to the implementation of the Galileo Deployment Phase (2008-2013), and C(2013)9015 lastly amending the delegation of powers to ESA

⁸⁸ Regulation EC/683/2008 of 09.07.2008

⁸⁹ Regulation (EU) 911/2010 of 22.09.2010

⁹⁰ Regulation (EU) 1285/2013 of 11 December 2013 on the implementation and exploitation of European satellite navigation systems and repealing Council Regulation (EC) No 876/2002 and Regulation (EC) No 683/2008 of the European Parliament and of the Council

⁹¹ Regulation (EU) 377/2014 of 3 April 2014 establishing the Copernicus Programme and repealing Regulation (EU) No 911/2010

Summary description of the implementing tasks entrusted to ESA

- industrial procurement activities for the completion of the infrastructure
- system design, integration, validation and technical management activities
- project management and system prime activities
- implementation of risk management methods
- qualification of operation processes and procedure
- signal provision
- for Copernicus Space Component, in cooperation with EUMETSAT, performs Joint Operations Management

As detailed in section 2.1.1.1 (A) of this report, 59 % of the DG GROWTH budget is delegated to the European Space Agency (ESA):

- 32 % for the GNSS programmes (EGNOS and Galileo)
- 27 % for the Copernicus programme

This annex provides details on the DG's supervision of ESA as Entrusted Entity.

ESA and its role in European space activities⁹²

Contrary to the EU which is supranational, ESA is an entirely independent intergovernmental organisation with 22 Member States. Not all EU Member States are members of ESA and not all ESA Member States are members of the EU. The two institutions have different ranges of competences and are governed by different rules and procedures. The two organisations share a joint European Strategy for Space and have developed the European Space Policy together.

ESA has been coordinating space activities through European programmes for more than 30 years. Its programmes are designed to find out more about Earth, its immediate space environment, our solar system and the universe, as well as to develop satellite-based technologies and services, and to promote European industries.

The ESA Council is ESA's governing body and provides the basic policy guidelines within which ESA develops its space programmes. Each Member State is represented on the ESA Council and has one vote, regardless of its size or financial contribution. The EU as an institution is not a member of ESA.

EU/ESA cooperation in space: the general framework

The EU/ESA cooperation is a unique partnership of two leading European-level organisations providing joint leadership for Europe in the field of space. This cooperation was born from the shared belief that each partner needs the other to deliver on the public policy objectives, provide an appropriate political profile and a more coherent framework of space activities in Europe.

The cooperation has long-standing roots, with parallel EU and ESA Council Resolutions already in the 1990s, and in 2000 the creation of the first joint EC-ESA Paper, the European Strategy for Space, already showing the need for the two organisations to work together to develop the space policy agenda of Europe. Proposed by the Commission in 1999, the Galileo programme for radio navigation by satellite constituted the first large space project jointly funded by the Union and ESA.

This fruitful cooperation resulted in the conclusion in 2004 of the EC-ESA Framework

⁹² <http://www.esa.int/ESA>

Agreement, aiming at the progressive development of an overall European Space Policy by providing a common basis and appropriate operational arrangements for an efficient and mutually beneficial cooperation. In 2008 and 2012, the framework agreement was extended for a further 4 years.

GNSS Programmes (Galileo FOC and EGNOS)

According to EC Regulation 1285/2013 the Commission is responsible for the management of the European Global Navigation Satellite System (GNSS) programmes (Galileo and EGNOS). Within this legal framework the Commission entrusted ESA with the implementation of the Galileo Deployment Phase and the further implementation of the EGNOS Programme.

The Commission delegates to ESA the industrial procurement activities necessary for the implementation of the Full Operational Capability (FOC) phase of the Galileo programme and the development of the EGNOS programme. The measures financed under the GNSS Regulation must be implemented in accordance with the EU Financial Regulation *"without prejudice to measures required to protect the essential interests of the security of the EU or public security or to comply with EU export control requirements⁹³"*. The Delegation Agreement signed with ESA states that the procurement activities entrusted to ESA are implemented *"in full coordination with the Commission and in accordance with the EU Procurement Rules and specific guidelines of the GNSS Regulation"*.

The final decision concerning the award of the contracts as a result of Galileo FOC and EGNOS tenders is taken by the Commission following a recommendation of ESA. The contracts are signed by ESA in the name and on behalf of the Commission. ESA acts as an agent or representative of the European Commission, who remains the contracting authority.

For 2015, ESA received for Galileo FOC a fixed remuneration covering all the tasks performed by ESA. For the EGNOS Delegation Agreement, ESA provides details of its operating costs in its reports to the EC in relation to the activities covered still by this Delegation Agreement.

GALILEO

The implementation of the Galileo programme is technically and financially complex. It consists of three phases: In Orbit Validation (IOV) (2003-2015), deployment phase (2008-2020) and exploitation phase (as of 2014).

Development phase: Galileo IOV (In-Orbit Validation)

Galileo's Development phase was partly financed by the European Commission and partly by ESA until 2008. An additional budget of **€ 559,5 million** was necessary to ensure the completion of this phase.

The grant covering IOV tasks was extended in 2014 until mid-2016 in order to cover the finalisation of running industrial contracts.

Deployment phase: Galileo FOC (Full Operational Capability)

A multiannual Delegation Agreement was signed between the Commission and ESA on 19 December 2008 for the Galileo FOC activities. Under this agreement, particularly complex contracts were awarded for each of the six work packages foreseen, using the Competitive Dialogue procedure⁹⁴. The total amount of this Delegation Agreement is of **€ 2 472,8 million**.

⁹³ Chapter V of GNSS Regulation 1285/2013

⁹⁴ Cf. Art 125 of the EU FR Implementing Rules (as applicable before the 2012 revision of the EU FR)

A new Delegation Agreement for a total amount of **€ 1 770 million** was signed in July 2014 covering the Deployment phase for the 2014-2020 period.

EGNOS

In April 2009 the European Commission acquired the ownership of EGNOS. In October of that same year, the European Commission declared that EGNOS' basic navigation signal was operationally ready as an open and free service.

A Delegation Agreement for the further development of EGNOS was signed in 2008 and lastly amended in 2012 between the European Commission and ESA with a total amount of **€ 161,5 million**. The estimated cost for the tasks carried out by ESA includes the industrial procurement activities (€ 118,8 million), the Artemis signal provision (€ 4,3 million) and the ESA costs as design and procurement agent (€ 38,4 million).

Horizon 2020

A new Delegation Agreement for a total amount of € 230 million was signed with the European Space Agency (ESA) in 2015 related to the H2020 research activities under the new EU MFF (2014-2020).

The tasks delegated to ESA in the frame of this Delegation Agreement relate to GNSS evolution, infrastructure-related Research and Development activities.

In 2015, no financial transactions took place, with the first Transfer of Funds Agreement to for an amount of € 52,3 million expected to be signed early 2016.

Amounts entrusted by DG GROWTH in 2015

The Commission transfers funds into ESA's account twice a year upon the submission of a detailed forecast of cash needs and quarterly implementation reports. ESA makes disbursements from a dedicated bank account. The account makes it possible to identify the transfers made by the Commission and to distinguish operations covered by the Delegation Agreement from ESA's other operations. A specific tool was developed to control at milestone level the good recording of cost and payments in one specific year. It improves considerably the ex-ante controls done by the Commission.

Funds transferred by DG GROWTH to ESA in 2015 under the GNSS Delegation Agreements amounted to € 530,5 million for Galileo FOC and € 24,9 million for EGNOS respectively. No amounts were transferred in 2015 for the H2020 Delegation Agreement.

DG GROWTH supervision of the funds entrusted to ESA

According to provisions contained in the Delegation Agreements, monitoring of the implementation of the delegated funds can be structured under four main headings:

1. **Regular monitoring of activities**, including programme management, through desk monitoring and participation in ESA relevant meetings:
 - The Commission attends ESA Council meetings as well as subordinate bodies for all matters related to the GNSS programmes.
 - Programme management meetings between ESA, GSA and the Commission are held in general every month to review the monthly report and in particular the management and technical implementation of the programme. The Commission also closely monitors the technical implementation of the programme through on-the-spot visits or through ESA segment project reviews with ESA segment responsible officials.
 - The Commission follows very closely the procurement procedures carried out by ESA by participating in key stages of the process and in many meetings dedicated to procurement. Moreover, the final decision concerning the award of any contract is taken by the Commission.

- Before the contract award decision is taken by the responsible Authorising Officer by Sub-delegation (AOSD) in DG GROWTH (upon recommendation from ESA), the open procedures equal or superior to € 10 million and negotiated procedures equal or superior to € 1 million are submitted to the review of an Ad Hoc Committee composed of at least two Directors and one Deputy Director-General, independent from the GNSS programmes.
- The Commission has the right to attend every meeting related to the implementation or procurement of activities funded under the Delegation Agreements. The Commission therefore attends in the Galileo and EGNOS Program change control Boards, Tender Steering Committees, ESA Tender Evaluation Board and Galileo and EGNOS Project Change Control Boards.
- Reporting and recording of exceptions: each deviation from an established policy or procedure made under exceptional circumstances is documented and justified and approved at the appropriate level. A register is maintained and the relevant information systematically screened to identify significant risks.
- DG GROWTH carries out its own ex-post financial audits of each programme's Annual Financial Report (AFR) in view of reconciliation with ESA's annual financial statements:

Result indicators: Indicators of annual error – IOV Grant

<i>(Amounts in €)</i>	Reported by ESA	Commission Audit report	Adjustment	Detected error rate	Implemented amount via clearing of pre-financing	Amount to be implemented
	(1)	(2)	(3)=(1)-(2)	(4)=(3)/(1)	(5)	(6)
Financial Report for 2009	256 900 000	256 529 000	371 000	0,14 %	371 000	0
Financial Report for 2010	113 040 381	110 567 684	2 472 697	2,19 %	2 472 697	0
Financial Report for 2011	117 836 629	114 953 662	2 882 967	2,45 %	2 882 967	0
Financial Report for 2012	58 350 348	58 350 348	0	0,00 %	0	0
Financial Report for 2013	6 307 959	6 307 959	0	0,00 %	0	0
Financial Report for 2014	2 847 843	2 847 843	0	0,00 %	0	0

Result indicators: Indicators of annual error – GALILEO FOC and EGNOS programmes

<u>GALILEO FOC</u>						
(Amounts in €)	Reported by ESA	Commission Audit report	Adjustment	Detected error rate	Implemented amount via clearing of pre-financing	Amount to be implemented
	(1)	(2)	(3)=(1)-(2)	(4)=(3)/(1)	(5)	(6)
Financial Report for 2009	49 013 000	46 109 000	2 904 000	5,92 %	2 904 000	0
Financial Report for 2010	440 797 905	440 428 411	369 494	0,08 %	369 494	0
Financial Report for 2011	379 188 767	378 652 378	536 389	0,14 %	536 389	0
Financial Report for 2012	342 192 607	340 360 802	1 831 805	0,54 %	1 831 805	0
Financial Report for 2013	398 992 495	397 591 998	1 400 497	0,35 %	1 400 497	0
Financial Report for 2014 (preliminary results)	365 152 925	365 064 165	88 760	0,02 %	0	Once audit finalised

<u>EGNOS</u>						
(Amounts in €)	Reported by ESA	Commission Audit report	Adjustment	Detected error rate	Implemented amount via clearing of pre-financing	Amount to be implemented
	(1)	(2)	(3)=(1)-(2)	(4)=(3)/(1)	(5)	(6)
Financial Report for 2009	9 083 677	8 779 763	303 914	3,35 %	303 914	0
Financial Report for 2010	8 938 034	10 819 473	-1 881 439	0 %	0	0
Financial Report for 2011	20 852 645	20 437 965	414 680	2,02 %	414 680	0
Financial Report for 2012	17 179 905	17 115 843	64 062	0,37 %	64 062	0
Financial Report for 2013	47 296 592	47 086 921	209 671	0,44 %	209 671	0
Financial Report for 2014 (preliminary results)	25 047 048	21 666 079	3 380 970	13,50 %	0	Once audit finalised

submitted by ESA. In 2015 the audits on the 2014 financial reports were performed. The FOC and EGNOS audits of the 2014 financial reports were launched in 2015 and are being finalised in 2016. The results of audits are implemented through a reduction of the total eligible amount. Errors detected in the AFRs have no impact on the legality and regularity of the amounts paid to ESA, because amounts paid depend both on costs declared and on cash-flows forecasts.

- The DG GROWTH GNSS Programme team closely monitors the implementation of previous years' audit results and takes the necessary measures to deduct non-implemented adjustments from following payments.

2. Monitoring through ESA reports:

- The Agreement obliges ESA to provide details of the activities carried out in the following reports: quarterly, annual, ad-hoc and final reports which contain detailed information about the implementation of the contracts, the costs incurred, an update on estimated completion date and milestones and, in the final report, an inventory list of the assets handed over to the Commission. These reports include Key Decision Points (milestones for the implementation) of the GNSS programmes, through which it is possible to assess whether functional, financial or scheduling targets are met and if corrective measures are necessary.
- In the Annual Implementation Report ESA notably provides an overview of the year, an overview of the content of the risk register over the past year, including the results and effectiveness of any risk analysis and mitigation actions and a summary of the audits carried out by ESA and their main findings.
- Dedicated teams of technical and legal DG GROWTH staff carefully analyse these ESA reports and carry out on-the-spot visits when necessary.

3. High level management reporting:

- Monthly meetings are held between the DG GROWTH and ESA Directors-General. The Director-General is briefed about all problems detected and which need to be addressed by ESA.
- Key DG GROWTH reports are prepared on the management of EU funds by ESA:
 - The DG GROWTH Management Plan (MP) shows the specific objectives and tasks necessary to achieve the general objectives. A set of indicators facilitates the monitoring process.
 - Mid-term report on the achievement of the objectives set in the MP.
 - Monthly financial monitor of budget execution.
 - Biannual report to the Commissioner on management and internal control issues.
 - DG GROWTH Annual Activity Report (AAR).

4. External (performance) monitoring by independent bodies:

- In 2013 and 2014, a re-assessment of ESA's control systems (accounting, internal control, own audit and procurement procedures) was outsourced by DG GROWTH to an independent external audit firm. Both assessments confirmed that ESA applies the EU procurement rules and its own audit, accounting and internal control rules and procedures which offer guarantees equivalent to internationally accepted standards.
- OLAF and the Court of Auditors or their representatives may also conduct documentary and on-the-spot checks on the use made of the EU funds under the Delegation Agreement. Due to the high amount of the payments to ESA and the

Court's sampling methodology, audits are performed on a regular basis by the Court of Auditors.

- Feedback from the Commission's Internal Audit Service (IAS) and the European Court of Auditors (ECA) is provided. DG GROWTH systematically monitors the implementation of the action plans resulting from these financial and performance audits and duly reports on progress.
- Independent experts assist the Commission with regard to programme implementation and make recommendations in particular regarding risk management.
- The Galileo Inter-institutional Panel facilitates close cooperation between the EP, Council and the Commission and allows the three institutions to closely monitor GNSS programme implementation, international agreements with non-EU countries, the preparation of satellite navigation markets, the effectiveness of governance arrangements and the annual review of the work programme.

Copernicus Programme

The Copernicus programme, previously known as Global Monitoring for Environment and Security (GMES) is an EU-wide flagship programme that aims to support policymakers, business, and citizens with improved environmental information. Copernicus integrates satellite and in-situ data with modelling to provide user-focused information services. The Copernicus programme reached full operational status in 2014 for the infrastructure and is aiming to put in place all the necessary agreements for services by mid-2016. It is an EU-led initiative carried out in partnership with the Member States and ESA.

The origin of GMES date back to May 1998, when institutions involved in the development of space activities in Europe made a joint declaration known as the "Baveno Manifesto". The Manifesto called for a long-term commitment to the development of space-based environmental monitoring services, making use of, and further developing, European skills, and technologies.

The GMES-Copernicus concept was first presented to the EU Gothenburg Summit in 2001 and resulted in a Council Resolution requesting the Commission and ESA to proceed with its implementation. Following an exploratory initial phase undertaken in 2001 – 2003, the EU and ESA jointly proposed a 2004 - 2008 action plan enabling to meet the Council's request.

In 2005, the Union made the strategic choice of developing an independent European Earth observation capacity to deliver services in the environmental and security fields, which resulted ultimately in Regulation (EU) No 911/2010 of the European Parliament and of the Council of 22 September 2010 on the European Earth monitoring programme (GMES) and its initial operations (2011 to 2013).

In the phase before 2006, EU and ESA contributed to the **development** of GMES-Copernicus through their respective funding programmes of the 6th EU Research Framework Programme and the ESA Earth Watch Programme with an amount of around € 200 million. After 2006, further funding needed to be foreseen for the preparation and operation of the GMES-Copernicus **services**, as well as for the development of a dedicated **GMES-Copernicus Space Component (GSC)** of 5 Sentinel satellites.

Whereas the development of GMES-Copernicus services was continued (with increasing mutual technical consultation) within the separate funding programmes at EU and ESA, a mechanism was sought to contribute funding from the multi-annual EU 7th Research Framework Programme to the ESA GSC Programme as adopted by ESA Member States Council in late 2005.

A GMES Delegation Agreement formalising a contribution of € 624 million was signed by EU and ESA on 28 February 2008 (amended on 28 January 2009). This Delegation Agreement was amended in June 2011, enhancing the contribution to a total amount of **€ 728** million from FP7 and the GMES regulation budgets.

The GMES Delegation Agreement defined the modalities for (i) cooperation of the Parties in the development of the Space Component and (ii) the budget implementation tasks entrusted to ESA in the framework of the FP7 Specific programme "Cooperation" and its theme "Space". It contains provisions as to the overall limit for ESA system design, integration, validation and technical management as well as for ESA management activities. It foresees a budget for ESA's own operating costs, of which ESA provides details in its reports to the EC. The annual amounts paid to ESA were not calculated on the basis of actual cost incurred in that period, but were fixed in the text of the Delegation Agreement and subsequent transfers were agreed as cash advances.

In 2013 the EC proposed a new Regulation under the new MFF for the continuation of the GMES programme under the name Copernicus which was adopted in the second quarter

of 2014.

In implementing the tasks assigned to it under the delegation agreement, ESA applies its own audit, accounting, internal control and procurement rules and procedures which offer guarantees equivalent to internationally accepted standards.

In 2014, a new Copernicus Delegation Agreement for **€ 3 148 million** (2014-2020) was signed with ESA for the continued development of the dedicated Copernicus satellites (Sentinels). The transfers of funds to ESA under the Copernicus Delegation Agreement are based on annual and quarterly reports submitted by ESA together with forecasts of cost and cash-flow needs for the next period.

Amounts entrusted by DG GROWTH to ESA in 2015

The GMES Delegation Agreement fixed the amounts to be transferred to ESA annually by way of a cash advance. In 2015, transfers were made to ESA, already under the new Copernicus Delegation Agreement. The pre-financing for 2015, at the total amount of € 460 million, is aimed at covering the expenditure for construction and launch services, operations, access to contributing missions data, pre-financing of payments and the internal costs of the agency for the implementation of the Copernicus activities.

DG GROWTH supervision of budget entrusted to ESA

Supervision of the tasks delegated to ESA is in line with the management mode chosen for the implementation of the Delegation Agreement, which implies reliance on ESA's own control mechanisms. Against this background, monitoring of the Delegation Agreement is carried out through:

1. The Copernicus ESA Delegation Agreement (Article 11) has established the key institutional guarantee of the Procurement Board, as a special body under the Agreement designed to optimise the execution of the procurements to be made by ESA. That arrangement takes due account of the respective roles and responsibilities of both ESA and the Commission during the execution of such procurements and provides a timely and cost effective procedure for management of the process. It is composed of Commission staff, subject to pertaining rules of conflicts of interest and it is being chaired by a Commission authorising officer under the Financial Regulation.
2. **Regular monitoring of the co-funded activities** including desk monitoring and participation in ESA's relevant meetings as appropriate (Article 20.4 of the Copernicus ESA DA):
 - The Commission attends ESA Council meetings as well as subordinate bodies for all matters related to GMES-Copernicus.
 - The Commission also has the right to attend all meetings related to the review of system design and development as well as the evaluation of tenders for development activities co-funded under the Agreement.
 - The Commission reserves the right of auditing the procedures applied by ESA and the way the costs have been calculated. On an annual basis DG GROWTH carries out its own ex-post financial audits of the Annual Financial Reports in view of reconciliation with ESA's annual financial statements.

Result indicators: Indicators of error - GMES

(Amounts in €)	Reported by ESA	Commission Audit report	Adjustment	Detected error rate	Implemented amount via clearing of pre-financing	Amount to be implemented
	(1)	(2)	(3)=(1)-(2)	(4)=(3)/(1)	(5)	(6)
Financial Report for 2009	80 401 424	79 566 603	834 821	1,04 %	834 821	0
Financial Report for 2010	137 657 344	113 959 263	23 698 081	17,22 %	23 698 081	0
Financial Report for 2011	171 487 659	171 029 224	458 435	0,27 %	458 435	0
Financial Report for 2012	104 124 840	102 058 630	2 066 210	1,98 %	2 066 210	0
Financial Report for 2013	78 518 254	78 524 613	-6 359	0,00 %	-6 359	0
Financial Report for 2014	136 135 061	136 133 236	1 825	0,001 %	0	1 825

DG GROWTH ex-post controls cover all Annual Financial Reports (AFR) submitted by ESA. The audit of the 2014 financial reports was finalised in January 2016. Regular Audits and corresponding corrections ensure that, on a multi-annual basis, the total amount paid under the Delegation Agreement will be compliant with the eligibility rules and will not exceed the limits defined in the Delegation Agreement.

- Due to the amount of the payments to ESA and the Court's sampling methodology, audits are performed on a regular basis by the Court of Auditors. (Article 29 of the Copernicus ESA DA)

3. Monitoring through ESA reports:

- The Agreement obliges ESA to submit to the Commission quarterly implementation reports, Annual Financial Reports to account for the use of EU and ESA funds spent on the development of the various GMES-Copernicus system components, a final report summarising the implementation of tasks covered by the Agreement as well as ad-hoc reports including information equivalent to that provided by the Commission to the Copernicus Programme Committee. (Article 19 of the Copernicus ESA DA)
- The Agreement furthermore foresees that ESA provides to the Commission its reports on ex-post controls in place – amongst others the audit of the Agency's financial statements provided by the independent ESA Audit Commission.

4. High level management reporting:

- Monthly meetings are held between the DG GROWTH and ESA Directors-General. The Director-General is briefed about all problems detected and which need to be addressed by ESA.
- Key DG GROWTH reports are prepared on the management of EU funds by ESA:
 - The DG GROWTH Management Plan (MP) shows the specific objectives and tasks necessary to achieve the general objectives. A set of indicators facilitates the monitoring process.
 - Mid-term report on the achievement of the objectives set in the MP.

5. External (performance) monitoring by independent bodies:

- Regular re-assessments, conducted in the past by independent external audit firms, of ESA's control systems (accounting, internal control, own audit and procurement procedures) confirm that ESA applies the EU procurement rules and its own audit, accounting and internal control rules and procedures which offer guarantees equivalent to internationally accepted standards.
- OLAF and the Court of Auditors or their representatives may also conduct

documentary and on-the-spot checks on the use made of the EU funds under the Delegation Agreement. Due to the high amount of the payments to ESA and the Court's sampling methodology, audits are performed on a regular basis by the Court of Auditors.

- Feedback from the Commission's Internal Audit Service (IAS) and the European Court of Auditors (ECA) is provided. DG GROWTH systematically monitors the implementation of the action plans resulting from these financial and performance audits and duly reports on progress.

II. Additional Entrusted Entities for Copernicus Infrastructure and Services

Pursuant to the Articles of the Delegation Agreement, the Entrusted Entity shall apply its audit, accounting, and procurement and grant award procedures, as laid down in its Financial Regulation. The EC has ascertained that the newly entrusted entities below comply with the requirements set forth in Article 58 of the EU Financial Regulation 966/2012 and that the delegation of budget implementation tasks ensures compliance with the principles of sound financial management, non-discrimination and visibility of Union action foreseen in Article 60 of the EU Financial Regulation. This was achieved by the performance of an independent external ex-ante assessment prior to the signature of a Delegation Agreement.

The budget is implemented through procurement and own activities. All three Copernicus Delegation Agreements foresee in Article 5 direct costs for the implementation of the entrusted tasks as well as indirect costs linked to the implementation of the entrusted tasks. The remuneration costs are identified in the Agreement and do not exceed 7 % of the total of the direct eligible costs.

The Copernicus Delegation Agreements foresee two requests for payment each year to cover the expenditure needs of the respective Entity. At this stage compliance with the DA articles related to the monitoring of the action is verified, i.e.: approval of the quarterly implementation report covering the preceding financial year and prior adoption of the Copernicus annual work programme.

Financial audits of the entrusted entities will be performed on a yearly basis and for the first time in 2016. All entrusted entities will also undergo compliance audits during the lifetime of their delegation agreements.

EUMETSAT
(European Organisation for the Exploitation of Meteorological Satellites)

Programmes concerned Copernicus Infrastructure
Annual budgetary amount entrusted (amounts transferred in 2015) € 16,8 million
Duration of the delegation The multi-annual Delegation Agreements were signed with the European Space Agency (ESA), EUMETSAT, Mercator Océan and ECMWF in 2014, in line with the current EU MFF (2014-2020).
Justification of the recourse to indirect management The key objectives of EUMETSAT being the European Organisation for the Exploitation of Meteorological Satellites are to establish, maintain and exploit European systems of operational meteorological satellites, and to contribute to the operational monitoring of the climate and the detection of global climatic changes. Its role as a contributor to the GMES/Copernicus programme was recognised by the Council Resolution on Taking Forward the European Space Policy adopted on 26 September 2008. EU Regulation No 377/2014 of 3 April 2014 which established the Copernicus Programme confirmed EUMETSAT as an Entrusted Entity to take over responsibilities in operating the dedicated missions and providing access to contributing mission data.
Justification of the selection of EUMETSAT The Copernicus Regulation stipulates that the Commission shall conclude delegation agreements with ESA and with the European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT) entrusting them with tasks related to the Copernicus space component for the period 2014-2020.
Summary description of the implementing tasks entrusted to EUMETSAT According to its mandate and expertise EUMETSAT has been entrusted with the operations of dedicated satellites and instruments (Jason-3, Sentinel 3 for marine observations and Sentinels 4, 5 and 6) and the respective ground segment, including the distribution and dissemination of Copernicus data. The financing specified above, committed for 2015, covers the expenditure for operations, access to contributing missions data, pre financing of payments and the internal costs of the agency for the implementation of the Copernicus activities.

Mercator Océan

Programmes concerned Copernicus Services - Marine Environment Monitoring Service
Annual budgetary amount entrusted (amounts transferred in 2015) € 12,3 million
Duration of the delegation On 11 November 2014, a Delegation Agreement was signed with Mercator Océan for a total contract value of € 144 million for the seven years of the new MFF (2014-2020).
Justification of the recourse to indirect management In the implementation of the Copernicus service component, the Commission may rely, where duly justified by the special nature of the action and specific expertise, on competent entities, such as the European Environment Agency, the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (FRONTEX), the European Maritime Safety Agency (EMSA) and the European Union Satellite Centre (SATCEN), the European Centre for Medium-Range Weather Forecasts (ECMWF), and other relevant European agencies, or other bodies potentially eligible for a delegation in accordance with the Financial Regulation.
Justification of the selection of Mercator Océan The Copernicus Regulation foresees that the Commission may conclude delegation agreements with competent entities entrusting them with tasks related to the Copernicus service components for the period 2014-2020.
Summary description of the implementing tasks entrusted to Mercator Océan Coordination of the technical implementation of the Marine Environment Monitoring Service (MEMS) and dissemination/archiving activities, as defined in Annex I of the Copernicus Delegation Agreement. In 2015, the Entrusted Entity ramped up Phase I Operation of the Marine Environment Monitoring Service comprising the following main technical aspects of operationalization activities: <ul style="list-style-type: none">• Organisation of routine hand-over between continuous model development/maintenance and operational implementation;• Monitoring of production suites (input data acquisition, error handling, dissemination and archive);• Maintenance of reference documentation for products (description, quality information);• Consolidation of annual report for the description of ocean state for global ocean and the regional seas in support of environmental assessment;• Consolidation and upgrade of the data dissemination tools and interfaces to meet the needs and technological readiness of users;• Preparation of service performance reports based on statistical data, benchmarking and performance assessments.

ECMWF
(European Medium Range Weather Forecasting Centre)

Programmes concerned Copernicus Services
Annual budgetary amount entrusted (amounts transferred in 2015) € 16,1 million
Duration of the delegation On 11 November 2014, a delegation agreements was signed with ECMWF for a total contract value of € 291 million for the seven years of the new MFF (2014-2020).
Justification of the recourse to indirect management In the implementation of the Copernicus service component, the Commission may rely, where duly justified by the special nature of the action and specific expertise, on competent entities, such as the European Environment Agency, the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (FRONTEX), the European Maritime Safety Agency (EMSA) and the European Union Satellite Centre (SATCEN), the European Centre for Medium-Range Weather Forecasts (ECMWF), other relevant European agencies, groupings or consortia of national bodies, or any relevant body potentially eligible for a delegation in accordance with the Financial Regulation.
Justification of the selection of ECMWF The Copernicus Regulation foresees that the Commission may conclude delegation agreements with competent entities entrusting them with tasks related to the Copernicus service components for the period 2014-2020.
Summary description of the implementing tasks entrusted to ECMWF Coordination of the technical implementation of the Atmospheric Monitoring and Climate Change services and dissemination/archiving activities, as defined in Annex I of the Copernicus Delegation Agreement. In 2015, the Entrusted Entity ramped up Phase I Operation of the Atmosphere Monitoring Service involving the following activities: <ul style="list-style-type: none">• Provision of data and products in an operational mode according to the product portfolio;• Maintenance of back-up systems and service recovery mechanisms;• Support of users through helpdesk, documentation, and preparation of training;• Change management and corresponding continuous development work for the integration of newly available input data and response to user requests and findings from wider research activities; this includes the uptake of either test data sets or actual data from Sentinel missions;• Communication and outreach to link existing and new users with the operational service.

The reader is referred also to section 2.1.1.1. of the AAR.

ANNEX 7: EAMR of the Union Delegations: not applicable

ANNEX 8: Decentralised agencies

A decentralised agency⁹⁵, also referred to as traditional or regulatory agency, is an EU body governed by European public law. Decentralised agencies carry out technical, scientific or managerial tasks that help the EU institutions make and implement policies. They also support cooperation between the EU and national governments by pooling technical and specialist expertise from both the EU institutions and national authorities.

Decentralised agencies are located across the EU. They are governed by an Administrative or Management Board, which as a rule is composed of representatives of all Member States, and which defines the agency's operating guidelines within the legal framework established by the legislator. The Board is also responsible for the adoption of the agency's work programme and budget.

Most decentralised agencies are funded entirely by contributions from the EU budget, as described above. Some agencies, however, depend fully or partially on other revenue, such as revenue received from industry (fees).

The two agencies under the responsibility of DG GROWTH are the European Chemicals Agency (**ECHA**) and the European GNSS Agency (**GSA**).

Furthermore, DG GROWTH has delegated budget implementation to the European Environment Agency (**EEA**), the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (**FRONTEX**), the European Agency for Maritime safety (**EMSA**), European Defence Agency (**EDA**) and European Foundation for the Improvement of Living and Working Conditions (**EUROFOUND**).

The table below provides the main details for the above decentralised agencies:

⁹⁵ http://europa.eu/about-eu/agencies/index_en.htm

Agency	Policy concerned	GROTH payments to Agency in 2015 (in € million)	
		Subsidy*	Entrusted amount**
ECHA	Chemicals – implementation of REACH and CLP Regulations	0 ⁹⁶	0
GSA	<ul style="list-style-type: none"> ➤ <u>Mandated activities:</u> GNSS programmes – EGNOS and Galileo <i>Security (security accreditation, operation of Galileo Security Monitoring Centre)</i> <i>Commercialisation of the systems</i> ➤ <u>Delegated activities:</u> GNSS programmes – EGNOS and Galileo EGNOS exploitation Galileo exploitation <i>Contribution to the development of PRS (Public Regulated Service)</i> <i>Preparatory activities for exploitation of the systems</i> GNSS-related research <i>7th research Framework Programme (FP7)</i> <i>Horizon 2020</i> 	22,8	335,9
EEA	Space – GMES/Copernicus programme (European Land Service, and in-situ data coordination)	0 ⁹⁷	0 ⁹⁸
FRONTEX	Space – Copernicus programme – Copernicus Security Service	0	3 ⁹⁹
EMSA	Space – Copernicus programme – Copernicus Security Service	0	2,5 ¹⁰⁰
EDA	Common Security and Defence Policy (CSDP) research	0	0,455
EUROFOUND	Industrial policy – manufacturing	0	1,6 ¹⁰¹

* To cover part of the administrative costs of the agency.

** For operational implementation by the agency on behalf of DG GROWTH

⁹⁶ ECHA own revenue was sufficient to cover its expenditure.

⁹⁷ Pursuant to Article 5.1(ii)b) of the DA, the EEA is remunerated with EUR 680.000 per year to cover the administrative expenditure, including staff costs, necessary for the performance of the DA.

⁹⁸ DG GROWTH did not execute payments to GSA in 2015. The reader is referred to section 2.1.1.1. (C)

⁹⁹ Post signature pre-financing.

¹⁰⁰ Post signature pre-financing.

¹⁰¹ Pre-financing payments.

European Chemicals Agency (ECHA)

ECHA is located in Helsinki and started operating in June 2007. Its mission is to ensure a high level of protection of human health and the environment in the EU, to ensure consistency in chemicals management across the EU and to provide technical and scientific advice on safety and socio-economic issues related to the use of chemicals.

The Agency is responsible for co-ordinating the duties introduced by the REACH Regulation (EC) N°1907/2006, the Regulation (EC) N° 1272/2008 on the classification, labelling and packaging of substances and mixtures, the biocides regulation (EU) N° 528/2012 and more recently was entrusted the responsibility of the recast PIC regulation (EU) N° 649/2012 which concerns export and import of dangerous chemicals. It manages the registration, evaluation, authorisation and restriction processes for chemical substances and the harmonisation of classification and labelling processes. These processes are designed to provide additional information on chemicals, to ensure their safe use and to enhance the competitiveness of the EU industry.

In accordance with the REACH Regulation (No 1907/2006), ECHA is financed through fees paid by industry and by a possible EU balancing subsidy as referred to in Article 185 of the General EU Financial Regulation.

No balancing subsidy was paid to ECHA in 2015. Although a balancing subsidy had been foreseen, the revenues in 2015 from fees and charges payable to ECHA were higher than forecasted and were complemented by withdrawals from the accumulated reserve built up from the REACH registrations of 2010 and 2013, SME verification work, fees from authorisations and interest income. This reserve was exhausted in 2015 and will cease to exist.

The Agency's reserve was on accounts managed by the European Investment Bank and by the Central Bank of Finland, with a continued objective to ensure the safe-keeping of the funds and a sufficient risk diversification. At the end of 2015, ECHA had 608 posts (all activities) on its establishment plan and an expenditure of € 100,3 in commitment appropriations and € 100,3 million in payment appropriations (for REACH and CLP).

The ECHA's governing body, the Management Board, is composed of representatives from the Member States, the European Parliament, the European Commission (DG GROWTH, DG ENV, DG SANTE), and three members representing industry, trade unions and NGOs. The Agency has established a Member State Committee, a Risk Assessment Committee and a Socio- Economic Analysis Committee, and a forum of national enforcement authorities.

Supervision mechanism

The DG GROWTH unit in charge of REACH has very frequent contacts on a day-to-day basis with ECHA which enables constant monitoring of its functioning. These contacts include numerous meetings and various other forums, e.g. video conferences.

In addition to this, the following other supervision mechanisms are in place:

- A DG GROWTH Deputy Director-General is a member of ECHA's Management Board (MB) as one of the three Commission representatives. He participates in four working groups (WG) of the MB:
 - WG for planning and reporting, including preparation of ECHA's work programme
 - WG for audit
 - WG for transfers of a portion of the fees from ECHA to Member States
 - Advisory WG on the dissemination of public information on chemical substances
- Participation as observers to the following bodies of the Agency:

- MB and its working groups "planning and reporting", "audit", "transfer of fees" and "dissemination of public information on chemical substances"
 - Member State Committee (MSC)
 - Risk Assessment Committee (RAC)
 - Committee for Socio-economic Analysis (SEAC)
 - Forum for Exchange of Information on Enforcement (FORUM)
 - HelpNet
- Participation as members to the following networks convened by the Agency:
 - Security Officers Network
 - REACH Communicators' Network
 - The following reports were generated on the working of the Agency:
 - ECHA 2015 General Report, covering financial as well as operational activities

Internal Audit Service (IAS)

According to ECHA's Financial Regulation, the Internal Auditor for ECHA is the Internal Auditor of the European Commission (IAS). The IAS performed an audit on:

- Forecasting, Calculation and Collection of Fee Income and Charges under REACH, CLP and BPR in 2015 to assess the design and the effective and efficient implementation of the management and the internal control systems for the process of forecasting, calculation and collection of fee income and charges under the REACH, CLP and BPR regulations.

In this context DG GROWTH started monitoring in 2015 the implementation of the action plan agreed with the IAS on the important recommendations related to:

- 1) The unavailability of the complete documentation of the annual exercise of fees and charges income forecasting and revenue budgeting and, in particular, the missing audit trail for the main steps and management decisions hinders the periodic monitoring of actual vs budgeted revenues.
- 2) On SME verification there is a significant backlog for the ex-post verification of the status of small and medium-sized enterprises (SME) registered under REACH within 2010 deadline. The declared status of SME of 39 % of companies registered has not yet been verified by ECHA. Based on ECHA's experience, approximately 63 % of companies were found to have declared a wrong size and a wrong entitlement to a fee reduction. The related top-up fee income collected until mid-2015 amounts to € 10,7 million.
- 3) The Agency does not have in place a clearly defined approach on how to process the remaining companies from the 2010 deadline, specific cases (e.g. companies who do not provide additional documents requested) and those from the 2013 and 2018 registration deadlines.

In 2015, the Internal Audit Capability of ECHA carried out assurance audits on

- Performance Indicators in the General report,
- ECHA Helpdesk and
- Contract management and payments.

Supervision activities performed in 2015

Besides the participation in the governance bodies listed above in 2015 DG GROWTH:

- *Budget of the Agency – procedure for Draft Budget 2016*

- evaluated the request for appropriations and staff coming from the Agency and followed up on the budget procedure.
 - Adoption by the Commission of a decision concerning the administrative charge levied by ECHA in the context of the SME size verification.¹⁰²
 - DG GROWTH reached an agreement with ECHA on the provision by ECHA of a quarterly report on the income from fees and charges payable to the Agency.
- *ECHA's draft work programme 2016*
 - contributed to the preparation of the draft Work Programme to make sure that it is consistent with REACH and Commission policy priorities
 - *Discharge 2013 and 2014*
 - followed up the discharge for financial year 2013 and 2014;
 - *Common Approach on decentralised agencies*
 - participated in the network of desk officers for agencies coordinated by the Secretariat General and contributed to the follow-up of the Common Approach on decentralised agencies managed by the Secretariat General
 - *HR*
 - implemented the Roadmap of the Common Approach on EU decentralised agencies endorsed in July 2012 by the European Parliament, the Council and the Commission.
 - Coordinated and consolidated the Commission services opinion to ECHA on its Multi-annual Staff Policy Plan 2016-2018.
 - Adoption by the Commission of a decision to remove an ECHA Board of Appeal member from office.

¹⁰² C(2015)3501 Final.

European GNSS Agency (GSA)

The European GNSS Agency (formerly known as the GNSS Supervisory Authority) was created by Regulation 912/2010 of 22 September 2010¹⁰³. The current legal base aligns the Agency's mandate with what is stipulated in the GNSS Regulation (No 1285/2013) and further develops the work the Agency has to undertake in the domain of security.

Its principle tasks – as stated in Regulation 1285/2013 – are

- a) the security of the Galileo and EGNOS programmes, in particular:
 - (i) security accreditation, through its Security Accreditation Board; it shall initiate and monitor the implementation of security procedures and perform system security audits
 - (ii) the operation of the Galileo Security Monitoring Centre, in accordance with the standards and requirements referred to in the Regulation and the instructions pursuant to Joint Action 2004/552/CFSP
- b) perform the tasks provided for in Article 5 of Decision No 1104/2011/EU, and assist the Commission in accordance with Article 8(6) of that Decision;
- c) contribute, in the context of the deployment and exploitation phases of the Galileo programme and the exploitation phase of the EGNOS programme, to the promotion and marketing of the services, including by carrying out the necessary market analysis, by establishing close contacts with users and potential users of the systems with a view to collecting information on their needs, by following developments in satellite navigation downstream markets, and by drawing up an action plan for the uptake by user community of the services, comprising in particular relevant actions relating to standardisation and certification.

The European GNSS Agency also performs other tasks relating to the implementation of the Galileo and EGNOS programmes, including programme management tasks, and is accountable for them. Those tasks are entrusted to it by the Commission by means of delegation agreements adopted on the basis of a delegation decision, and include:

- a) operational activities including systems infrastructure management, maintenance and continuous improvement of the systems, certification and standardisation operations and provision of services;
- b) development and deployment activities for the evolution and future generations of the systems, and contribution to the definition of service evolutions, including procurement;
- c) promoting the development of applications and services based on the systems, as well as raising awareness of such applications and services, including identifying, connecting and coordinating the network of European centres of excellence in GNSS applications and services, drawing on public and private sector expertise, and evaluating measures relating to such promotion and awareness-raising;

¹⁰³ REGULATION (EU) No 912/2010 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 22 September 2010 setting up the European GNSS Agency, repealing Council Regulation (EC) No 1321/2004 on the establishment of structures for the management of the European satellite radio navigation programmes and amending Regulation (EC) No 683/2008 of the European Parliament and of the Council and amended by Regulation 512/2014 of 16 April 2014. The Regulation 912/2010 entered into force on 9 November 2010.

- d) promoting the development of fundamental elements, such as Galileo-enabled chipsets and receivers.

The main supervising body is the Agency's Administrative Board in which the Commission is represented with four votes, alongside the Member States which have one vote each.

The GSA Regulation (EU) N° 912/2010 has been amended by Regulation (EU) N° 512/2014 of 16 April 2014, through which its contents have been aligned to the new GNSS Regulation. As a result, the Regulation:

- a) ensures an independent security accreditation scheme;
- b) incorporates relevant elements of the Common Approach agreed between Council, Parliament, and Commission with respect to decentralised agencies to improve the coherence, effectiveness, accountability and transparency of these agencies, and
- c) ensures appropriate staffing of the GSA

At the end of 2015, GSA had 99 staff and a subsidy of € 22,8 million.

Supervision mechanism

As concerns the Agency's **mandated activities**, the Commission's supervision is exercised as laid out in the Agency's basic act which confer certain responsibilities to the Administrative Board (of which the Commission is a member), and more specifically: Board appointing and exercising disciplinary authority over the Agency's Executive Director, adopting the Work Programme, supervising the budget and overseeing the set-up and operation of the Galileo Security Monitoring Centre. The Regulation also bestows additional rights on the Commission, namely the right of veto over the Work Programme and over the exercise of disciplinary authority over the Executive Director and the responsibility for preselecting the list of candidates for the post of the Agency's Executive Director.

As far as the **delegated activities** of the Agency are concerned, the Delegation Agreements in force provide for regular reporting from the Agency to the Commission on the work it has carried out and supervision of Agency's procurement activities by the Commission.

Supervision activities performed in 2015

In addition to the above, DG GROWTH also processed the budget request coming from the Agency and followed up on the budget procedure.

DG GROWTH participated actively in the meetings of the Administrative Board that took place in the course of 2015. It regularly informed the Board members of the state of play in other areas of the GNSS Programmes and intervened in discussions to ensure overall coherence of activities, in line with its mandate as manager of the GNSS Programmes.

The Commission exercised the supervisory tasks provided for in the existing delegation agreements. Regular implementation reports and procurement documentation submitted by the Agency were revised.

The Agency is closely involved in the security management of Galileo and the activities to achieve security accreditation prior to satellite launches. It also manages activities related to satellite navigation market preparation. For both areas, regular coordination meetings were organised between the Commission and the Agency.

European Environment Agency (EEA)

The cooperation on Earth Observation tasks has started with EEA on 25 May 2011, when a Delegation Agreement (DA) was signed between the EU and the European Environment Agency (EEA) on the implementation of the GMES land monitoring service in the Framework of Regulation (EU) No 911/2010. In 2013, that Agreement was amended (signed by Commission on 3/8/2013) to take into account an enlarged scope and portfolio of activities. This set the scope for the cooperation under the new Copernicus Agreement signed under the current 2014-2020 MFF.

Taking into account the scope of the tasks delegated to the EEA prior to the signature of that upgraded DA, the Commission has ascertained that EEA complies with the requirements set forth in Article 56(1) of the EU Financial Regulation and that the delegation of budget implementation tasks ensures compliance with the principles of sound financial management, non-discrimination and visibility of Union action foreseen in Article 54 (1) of the EU Financial Regulation.

The DA defines in the Annex I the tasks relating to the implementation of the Copernicus services which are delegated to the EEA and sets the rules for their implementation. The tasks delegated relate to the coordination of the technical implementation of the pan-European continental component, the local component of the GMES Land monitoring service, reference data access, as well as to dissemination/archiving activities. That operational profile has been reflected in the budgetary appropriations committed:

- for In-situ Coordination – € 2 300 000
and
- for Land Monitoring Service
 - European Local Land – € 3 300 000, and
 - Pan-European Land Coverage – € 7 000 000

Supervision mechanism

Pursuant to Article 14 of the Copernicus EEA DA, the Agency is to carry out its own ex-ante and ex-post controls including, where appropriate, on-the-spot checks on risk-based samples of transactions to ensure that the implementing transactions are legal and regular.

The Agency has to comply with strict reporting obligations, set in Articles 21 to 24 of the DA, providing for regular annual quarterly reports, plus ad hoc and final reporting in view of the respective circumstances.

Then, in Article 28 it is foreseen, and it is regularly implemented, that the Agency activities shall be in their turn subjects to checks, audits, investigations and evaluations by the Commission, OLAF and the European Court of Auditors.

All these measures, taken in conjunction, provide for solid supervision system of the respective agency's implementing activities

Based on information from Earth observation satellite data and in-situ data, the GMES land monitoring service provides decision-makers with relevant information on the changing conditions of land use and natural resources.

European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (FRONTEX)

On 10 November 2015, the European Commission finalized its Copernicus Delegation Agreement with the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (FRONTEX). With it, the agency was entrusted with the tasks related to the border surveillance component of the Security Service of Copernicus (the European Earth Observation and Monitoring Programme).

FRONTEX will work with Member States and relevant actors in close cooperation with the Commission, making use of Earth Observation data and European industry capacities for increased border situation awareness and improved assessment of risk.

A service portfolio has been agreed with FRONTEX, with services grouped in three main categories: Land, Maritime and Environmental, all contributing to increasing situation awareness in South European and Western borders.

Activities for 2015 have concentrated mainly on strengthening data fusion capacities in FRONTEX and on the provision of operational space data.

The delegation agreement defines the means by which the FRONTEX can implement the entrusted tasks, in particular the budget and the actions to be implemented, in full compliance with Article 61(3) of the Financial Regulation and with Article 40 of the Commission delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of the Financial Regulation.

The agreement has been negotiated on the basis of the implementation framework set by the relevant Commission Implementing Decision Commission Implementing Decision¹⁰⁴ that authorised the Director-General of DG GROWTH to sign it after prior information to the Commission. The implementation period of the agreement runs until 31 December 2021. The maximum EU budget delegated amounts to € 47 593 000. These appropriations shall cover:

- (a) expenditure related to the implementation of the procurement and grant activities;
- (b) the remuneration of the Agency for the implementation of the entrusted tasks.

Supervision mechanism:

The Commission, under the lead of the Copernicus services unit of the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs and involving other services as appropriate, monitors and assesses on a regular basis the implementation of the tasks delegated to FRONTEX. Such process is based, in particular, on the completion of the milestones as defined in the annual work programmes submitted by FRONTEX (Article 21 of the DA).

The agreement ensures that the Commission, the European Anti-fraud Office (OLAF) and the Court of Auditors or their authorised representatives, may at any time during the implementation of the entrusted tasks and up to five years after the payment of the balance carry out checks and audits on the implementation of the entrusted tasks (Article 24 of the DA).

¹⁰⁴ Commission Implementing Decision of 29.09.2015 on a delegation agreement with the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union in the Framework of the Copernicus programme (C(2015)4340 final).

The Commission may also carry out interim or final evaluations of the impact of the implementation of the entrusted tasks evaluated against the objectives of the Copernicus programme. (Article 19 of the DA)

FRONTEX sets up and ensures the functioning of effective and efficient internal control systems, which are aimed at providing reasonable assurance as to the achievement of the internal control objectives as defined in article 32(2) of Regulation (EU, Euratom) No 966/2012 including notably the reliability, completeness and valuation of the inventories of the tangible and intangible assets produced or acquired under the programme. (Article 7.2 of the DA)

The contracts tendered by FRONTEX shall provide for the Union ownership of all tangible and intangible assets developed or created under the delegated activities. (Article 18 of the DA).

European Maritime Safety Agency (EMSA)

With the Delegation Agreement signed by the European Commission with the European Maritime Safety Agency (EMSA) on December 3rd, 2015 the Agency is entrusted with the operation of the Maritime surveillance component of the Copernicus Security Service.

EMSA is committed to support the monitoring of the maritime areas, within and outside the European Union, using space data fused with other sources of maritime information.

Activities from the end of 2015 have been concentrated on the mobilisation of user communities, validating their requirements and building up capacities in EMSA to supply services onwards.

The delegation agreement defines the means by which the EMSA can implement the entrusted tasks, in particular the budget and the actions to be implemented, in full compliance with Article 61(3) of the Financial Regulation and with Article 40 of the Commission delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of the Financial Regulation.

The agreement has been negotiated on the basis of the implementation framework set by the relevant Commission Implementing Decision¹⁰⁵ that authorised the Director-General of DG GROWTH to sign it after prior information to the Commission. This Decision lays down the actions to be implemented, the amount of the entrusted funds and the conditions for their management in view of ensuring that tasks will be carried out within the limits of the budget allocated, the schedule foreseen and the performance expected. The implementation period of the agreement runs until 31 December 2021. The maximum EU budget delegated amounts to EUR 40 million. These appropriations shall cover:

- (a) expenditure related to the implementation of the procurement;
- (b) the remuneration of the Agency for the implementation of the entrusted tasks

Supervision mechanism:

The Commission, under the lead of the Copernicus services unit of the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs and involving other services as appropriate, shall monitor and assess on a regular basis the implementation of the tasks delegated to EMSA. Such process is based, in particular, on the completion of the milestones as defined in the annual work programmes submitted by the entrusted entity (Article 7.2 and 19 of the DA).

The agreement ensures that the Commission, the European Anti-fraud Office (OLAF) and the Court of Auditors or their authorised representatives, may at any time during the implementation of the entrusted tasks and up to five years after the payment of the balance carry out checks and audits on the implementation of the entrusted tasks (Article 26 of the DA).

The Commission may also carry out interim or final evaluations of the impact of the implementation of the entrusted tasks evaluated against the objectives of the Copernicus programme. (Article 17 of the DA)

EMSA sets up and ensures the functioning of effective and efficient internal control systems which are aimed at providing reasonable assurance as to the achievement of the

¹⁰⁵ Commission Implementing Decision of 19.11.2015 on a delegation agreement with the European Maritime Safety Agency in the framework of the Copernicus programme (C(2015)3006 final).

internal control objectives as defined in article 32(2) of Regulation (EU, Euratom) No 966/2012 including notably the reliability, completeness and valuation of the inventories of the tangible and intangible assets produced or acquired under the programmes. (Article 7.2 of the DA)

The contracts tendered by the entrusted entity shall provide for the Union with ownership of the results produced/developed in the process of implementation of the Copernicus tasks. (Article 16.1 of the DA).

European Defence Agency (EDA)

The European Parliament (EP) included in the budget of 2015 a Pilot Project on defence research. The aim of this pilot project is to develop cooperation between the Commission and the European Defence Agency (EDA), and to finance research and development in the field of defence. This pilot project should also prepare the ground for a future preparatory action on this theme.

Evaluation of the capacity of the European Defence Agency to implement research projects on defence research with EU financing and to manage EU budget appropriations as provided for in Council Decision 2011/411/CSDP, by means of a delegation agreement with the European Defence Agency. In order to test the feasibility and usefulness of this action, the Agency would prepare and run through grants or tenders a limited number of research and development projects on behalf of the EU in the following fields:

- technological development project in the area of defence;
- research and development activities linked to certification for military and civil uses.

After taking into account the findings of the Ex ante Pillars Assessment of the EDA's Financial Rules, a Delegation Agreement was signed between the Commission and EDA on 16 November 2015. The amount delegated to EDA in the framework of the agreement was € 915 000 in 2015 plus potentially € 500 000 in 2016, as it was the proposal of the EP included in the EU budget of 2016.

The EU-EDA Delegation Agreement defined the modalities for (i) cooperation of the Parties in the implementation of the pilot projects and (ii) the budget implementation tasks entrusted to EDA. It foresees an amount of 5 % of the total budget for EDA's administration costs related to the execution of the pilot project. The amounts paid to EDA are fixed in the text of the Delegation Agreement and divided into pre-financing of up to 50 % and final payment.

In implementing the tasks assigned to it under the delegation agreement, EDA applies Regulation (EU, Euratom) 966/2012 regarding grants and its own audit, accounting, internal control procedures which offer guarantees equivalent to internationally accepted standards.

The transfers of funds to EDA under the Delegation Agreement are based on annual reports submitted by EDA.

In 2015, a transfer of funds as pre-financing was made to EDA in December 2015, after the signature of the Delegation Agreement. This amount will cover administrative costs and be used as pre-financing of the two projects that will be selected through the Call of Proposals which has already been published.

Supervision mechanism:

Supervision of the tasks delegated to EDA is in line with the provisions of the Delegation Agreement, which implies reliance on EDA's own control mechanisms. Against this background, monitoring of the Delegation Agreement is carried out through:

1. Monitoring of the activities:
 - The Commission approves the text of the Call of Proposals and the evaluation of the final ranking list of the submitted proposals.
 - The Commission chairs the bi-lateral project meetings at the projects' mid-term review and the end of the project based on the Technical Synthesis Report submitted by EDA.

- The Commission has the right of full access to all the documents related to the research actions under this Delegation Agreement.
 - The Commission reserves the right of auditing the procedures applied by EDA and the way the costs have been calculated.
2. Monitoring through EDA reports:
- The Agreement obliges EDA to submit to the Commission Annual Work Reports to account for the implementation of the projects and the use of EU funds.
3. External (performance) monitoring by independent bodies:
- OLAF and the Court of Auditors or their representatives may also conduct documentary and on-the-spot checks on the use made of the EU funds under the Delegation Agreement.

European Foundation for the Improvement of Living and Working Conditions (EUROFOUND)

In 2015, DG GROWTH signed a new Delegation Agreement with EUROFOUND for € 2 million for the period between 2015-2020 in order to receive support in developing and strengthening of the future of the manufacturing sector. The latter expenditure will cover only expenditure incurred for the implementation of the entrusted tasks

It is a pilot project with a key focus on manufacturing. Beyond its industrial policy context, the project will have a very clear employment dimension, addressing questions related to job creation and reintegration into the labour market, restructuring trends, the gender dimension, skills/reskilling, entrepreneurship, and SME engagement in markets outside the EU.

Supervision mechanism:

All the contracts awarded as a result of the implementation of the entrusted tasks will be in line with the public procurement rules as set in the Financial Regulation.

EUROFOUND shall carry out ex ante and ex post controls including, where appropriate, on-the spot checks on samples of transactions to ensure that underlying transactions are legal and regular and that actions financed from the Union budget are effectively carried out and implemented correctly. EUROFOUND will take account of risk and cost-efficiency considerations when designing its control approach.

EUROFOUND provides the European Commission with an annual report on the implementation of the entrusted tasks and its accounts on the expenditure incurred in the implementation of the entrusted tasks.

The Commission, including the European Anti-fraud Office (OLAF), and the Court of Auditors may at any time during the implementation of the entrusted tasks and up to five years after the payment of the balance carry out checks and audits on the implementation of the entrusted tasks.

In addition, the Commission may carry out interim or final evaluation of the impact of the implementation of the entrusted tasks measured against the objectives concerned.

ANNEX 9: Evaluations and other studies finalised or cancelled in 2015

An evaluation is defined as 'an evidence-based judgement of the extent to which an intervention has been effective and efficient, relevant given the needs and its objectives, coherent both internally and with other EU policy interventions and achieved EU added-value'. Thus evaluations are a subset of studies - whilst all evaluations are studies, not all studies are evaluations.

A study is defined as 'a document resulting from intellectual services necessary to support the institution's own policies or activities. A study is financed through the EU budget. It may be produced inside the institution or commissioned from external experts, generally through procurement procedures'.

Title	Reason	Scope	Type			Associated DGs	Comments	Reference	Cancelled
			Focus	Author	Type				
I. Evaluations finalised or cancelled in 2015									
a. evaluations finalised in 2015									
Fitness-check on petroleum refining sector	European Commission's Regulatory Fitness and Performance programme; Industrial policy Communication COM(2012)582	EU legislations affecting petroleum refining sector	Retrospective	Mixed	Fitness check	European Political Strategy Centre (EPSC), Mobility and Transport (MOVE), Energy (ENER), ENV, Joint Research Centre (JRC), Climate Action (CLIMA), Taxation and Customs Union (TAXUD), Secretary-General (SG)	-	Staff Working Document (SWD) (2015)284 final/2 of 7.1.2016 http://bookshop.europa.eu/en/search/?webform-id=WFSimpleSearch&DefaultButton=findSimple&WFSimpleSearch_NameOrID=EU+Petroleum+Refining+Fitness+Check&SearchConditions=title&SearchType=1&SortingAttribute=LatestYear-desc&findSimple.x=0&findSimple.y=15	-
Evaluation of the application of the principle of mutual recognition	Evaluation article in response to Council request ¹⁰⁶	Mutual Recognition principle as per the Treaty on the Functioning of the European Union TFEU	Retrospective	External	Regulatory measure	Secretary-General (SG), ENV, SANTE	First phase of the evaluation	http://ec.europa.eu/DocsRoom/documents/13381 Staff Working Document (SWD) to be finalized once the second phase of	-

¹⁰⁶ Conclusions on Single Market Policy following Competitiveness Council meeting in 2013: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/intm/139846.pdf

Title	Reason	Scope	Type			Associated DGs	Comments	Reference	Cancelled
			Focus	Author	Type				
								the evaluation will be completed	
Independent review of the European standardisation system	Evaluation article in legal base	Communication nr (2011)311 Regulation nr. 1025/2013	Retrospective	External	Regulatory measure	Secretary-General (SG), JRC, Communications Networks, Content & Technology (CONNECT), Employment, Social Affairs and Inclusion (EMPL), Mobility and Transport (MOVE)	First phase of the evaluation	Staff Working Document (SWD) to be finalized once the other phases of the evaluation will be completed http://bookshop.europa.eu/is-bin/INTERSHOP.enfinity/WFS/EU-Bookshop-Site/en_GB/-/EUR/ViewParametricSearch-Dispatch	-
Monitoring the Impacts of Evaluation, Authorisation and Restriction of Chemicals (REACH) on Innovation, Competitiveness and SMEs	Multi-annual Financial Framework legal base	Evaluation, Authorisation and Restriction of Chemicals (REACH)	Prospective and retrospective	External	Expenditure programme/measure	ENV, ECHA	Evaluation in support of the REACH review	Evaluation report : 'Monitoring the Impact of REACH in Innovation, Competitiveness and SMEs' Staff Working Document (SWD) only for REACH Review	-
Evaluation of the Commercial agent directive (86/653/EEC)	European Commission's Regulatory Fitness and Performance programme Evaluation article in legal base	Directive nr 86/653/EC	Retrospective	Internal	Regulatory measure	Employment, Social Affairs and Inclusion (EMPL)	-	http://ec.europa.eu/DocsRoom/documents/11482/attachments/1/translations/en/renditions/native Executive summary: http://ec.europa.eu/DocsRoom/documents/11482/attachments/2/translations/en/renditions/native	-

Title	Reason	Scope	Type			Associated DGs	Comments	Reference	Cancelled
			Focus	Author	Type				
								ions/en/renditions/native	
b. Evaluations cancelled in 2015									
Evaluation of the implementation of the Key Enabling Technologies (KETs) strategy	Other	Horizon 2020	Retrospective	External	Expenditure programme/measure	-	No separate evaluation. It was part of the overall evaluation of KETs High Level Group (HLG) of June 2015 and KETs Observatory established in the meantime	-	Yes
Evaluation of measures in the field of tourism	Other	COSME	Retrospective	External	Expenditure programme/measure	-	No separate evaluation of the tourism projects is foreseen anymore. Tourism actions under COSME will be evaluated in the context of the general mid-term evaluation of the COSME Programme.	-	Yes
Evaluation of the contribution of FP7 Space research to European leadership	Other	FP7 Space	Retrospective	External	Expenditure programme/measure	-	Budget restrictions.	-	Yes
Evaluation of COSME pilot actions European Creative	Other	COSME	Prospective and retrospective	External	Expenditure programme	-	Budget restrictions.	-	Yes

Title	Reason	Scope	Type			Associated DGs	Comments	Reference	Cancelled
			Focus	Author	Type				
Industries and European Mobile and Mobility Industries Alliances									
II. Other studies finalised in 2015									
Preferences of Europeans toward tourism	-	-	Monitoring the evolution of public opinion in the Member States	External	-	N/A	-	Flash Eurobarometer http://bookshop.europa.eu/en/preferences-of-europeans-towards-tourism-pbET0115099/	-
Child safety: Q-Series crash test dummy family regulatory application assessment	-	Internal market	-	External	Study	N/A	-	Final Report http://bookshop.europa.eu/en/child-safety-q-series-crash-test-dummy-family-regulatory-application-assessment-er-final-report-pbNB0414813/	-
Entrepreneurship Education, a road to success	Entrepreneurship 2020 Action Plan	CIP	-	External	Study	N/A	-	Final Report http://bookshop.europa.eu/en/entrepreneurship-education-a-road-to-success-pbNB0614225/	-
Benefit and Feasibility of a Range of New Technologies and Unregulated Measures in the field of Vehicle	CARS 2020 Action Plan	Internal market	-	External	Study	N/A	-	Final Report http://bookshop.europa.eu/en/benefit-and-feasibility-of-a-range-of-new-technologies-and-unregulated-measures-in-the-field-of-vehicle-	-

Title	Reason	Scope	Type			Associated DGs	Comments	Reference	Cancelled
			Focus	Author	Type				
Occupant Safety and Protection of Vulnerable Road Users								occupant-safety-and-protection-of-vulnerable-road-users-pbNB0714108/	
Study on the competitiveness of the EU primary and secondary mineral raw materials sectors	Competitiveness final report	CIP	-	External	Study	N/A	-	Final Report http://bookshop.europa.eu/en/study-on-the-competitiveness-of-the-eu-primary-and-secondary-mineral-raw-materials-sectors-pbET0215302/	-
Mapping and Performance Check of the Supply of Accessible Tourism Services	-	Pilot Project	-	Internal	Study	N/A	-	Final Report http://bookshop.europa.eu/en/mapping-and-performance-check-of-the-supply-of-accessible-tourism-services-pbET0415188/	-
Economic review of the industrial design protection in Europe	-	Internal Market	-	External	Study	N/A	-	Final Report http://bookshop.europa.eu/en/economic-review-of-industrial-design-protection-in-europe-pbET0215280/	-
Compliance by member States on the time needed to get licences and permits to take up and perform the specific	-	CIP	-	External	Study	N/A	-	Final Report http://bookshop.europa.eu/en/study-on-the-compliance-by-member-states-on-the-time-needed-to-get-licences-and-permits-to-take-up-	-

Title	Reason	Scope	Type			Associated DGs	Comments	Reference	Cancelled
			Focus	Author	Type				
activity of an enterprise as from beginning of 2014								and-perform-the-specific-activity-of-an-enterprise-as-from-beginning-of-2014-pbNB0714064/	
Economic impact of the utility model legislation in selected Member States	-	Internal Market	-	External	Study	N/A	-	Final Report http://bookshop.europa.eu/en/study-on-the-economic-impact-of-the-utility-model-legislation-in-selected-member-states-pbET0415184/	-
Economic efficiency and legal effectiveness of review and remedies procedures for public contracts	-	Internal Market	-	External	Study	FISMA	-	Final Report http://bookshop.europa.eu/en/economic-efficiency-and-legal-effectiveness-of-review-and-remedies-procedures-for-public-contracts-pbKM0414023/	-
Accounting guide for SMEs	-	CIP	-	External	Study	N/A	-	Final Report http://bookshop.europa.eu/en/accounting-guide-for-smes-pbNB0614175/	-
SME taxation in Europe	-	CIP	-	External	Study	N/A	-	Final Report http://bookshop.europa.eu/en/sme-taxation-in-europe-pbNB0614208/	-
Minventory, EU raw materials statistics on resources and	-	CIP	-	External	Study	N/A	-	Final Report http://bookshop.europa.eu/en/minventory-eu-raw-materials-statistics-	-

Title	Reason	Scope	Type			Associated DGs	Comments	Reference	Cancelled
			Focus	Author	Type				
reserves								on-resources-and-reserves-pbET0215220/	
The performance of the Points of Single Contact	-	Internal Market	-	External	Study	N/A	-	Final Report http://bookshop.europa.eu/en/the-performance-of-the-points-of-single-contact-pbET0215504/	-
Innobarometer 2015	-		Monitoring the evolution of public opinion in the Member States	External	Study	N/A	-	Report http://bookshop.europa.eu/en/innobarometer-2015-pbET0415285/	-
Glossary Postal Statistics	-	Internal Market	-	Internal	Study	N/A	-	Final Report http://bookshop.europa.eu/en/glossary-postal-statistics-pbET0415666/	-
Internationalisation of small and medium sized enterprises	-	CIP	-	External	Study	N/A	-	Final Report http://bookshop.europa.eu/en/internationalisation-of-small-and-medium-sized-enterprises-pbET0215681/	-
Analysis of certain waste streams and the potential of industrial symbiosis to promote waste as a resource for EU industry	-	CIP	-	External	Study	N/A	-	Final Report http://bookshop.europa.eu/en/analysis-of-certain-waste-streams-and-the-potential-of-industrial-symbiosis-to-promote-waste-as-a-resource-for-eu-industry-pbET0415113/?CatalogC	-

Title	Reason	Scope	Type			Associated DGs	Comments	Reference	Cancelled
			Focus	Author	Type				
								ategoryID=IR4KABst5vQAAAEjxZAY4e5L	
Analysis of implementation of the Construction Products Regulation	-	COSME	-	External	Study	N/A	-	Executive summary and main report http://bookshop.europa.eu/en/analysis-of-the-implementation-of-the-construction-products-regulation-pbET0415686/	-
Water services in selected Member States	-	Internal Market	-	External	Study	N/A	-	Final Report http://bookshop.europa.eu/en/study-on-water-services-in-selected-member-states-pbET0415870/?CatalogCategoryID=9cQKABstREYAAAEjKJEY4e5L	-
Study of the impact of the revision of the UNECE 1958 Agreement on the global competitiveness of the EU automotive industry	-	Internal Market	-	External	Study	N/A	-	Final Report http://bookshop.europa.eu/en/study-on-the-impact-of-the-revision-of-the-unece-1958-agreement-on-the-global-competitiveness-of-the-eu-automotive-industry-pbET0115767/	-
Survey on the access to finance of enterprises (SAFE)	-	COSME	-	External	Study	N/A	-	Final Report http://bookshop.europa.eu/en/survey-on-the-access-to-finance-of-enterprises-safe--	-

Title	Reason	Scope	Type			Associated DGs	Comments	Reference	Cancelled
			Focus	Author	Type				
								pbET0115669/	
E-Leadership Skills for SMEs	-	CIP	-	External	-	N/A	-	Final Report http://bookshop.europa.eu/en/study-on-e-leadership-skills-for-small-and-medium-sized-enterprises-pbNB0414200/	-
SMEs, resource efficiency and green markets	-	CIP	-	External	Study		-	Report http://bookshop.europa.eu/en/smes-resource-efficiency-and-green-markets-pbET0115920/	-
Consumer testing study of the possible new format and content for retail disclosures of packaged retail and insurance based investment products	-	Internal market	-	External	Study	N/A	-	Final Report http://bookshop.europa.eu/en/consumer-testing-study-of-the-possible-new-format-and-content-for-retail-disclosures-of-packaged-retail-and-insurancebased-investment-products-pbKM0114985/	-
Define potential use of Innovation Procurement (PCP/PPI) supported by Horizon 2020 innovation	Horizon 2020	Space	-	External	Study	N/A	-	Final Report http://bookshop.europa.eu/en/study-to-define-potential-use-of-innovation-procurement-pcp-ppi-supported-by-horizon-2020-innovation-pbET0115669/	-

Title	Reason	Scope	Type			Associated DGs	Comments	Reference	Cancelled
			Focus	Author	Type				
procurement'								-pbET0415791/	
Achieve an increase in the scientific exploitation of data from European space missions 'Science Data'	-	Space	-	External	Study	N/A	-	Final Report http://bookshop.europa.eu/en/study-to-achieve-an-increase-in-the-scientific-exploitation-of-data-from-european-space-missions-science-data--pbET0415793/	-
Annual Report on European SMEs 2014/2015, SMEs start hiring again	-	COSME	-	External	Study	N/A	-	Final Report http://bookshop.europa.eu/en/annual-report-on-european-smes-2014-2015-smes-start-hiring-again-pbETAB15001/	-

The reader is referred also to Annex 4 of the Management Plan of DG GROWTH for 2015

ANNEX 10: Specific annex related to "Management of Resources": Crossed sub-delegations

2015 - Activities covered by crossed sub-delegations granted by DG GROWTH Authorising Officer by delegation to other Directors General		
DG	Article/Item	Activity
DG for Communications Networks, Content and Technology (DG Connect)	12.0201	Eurobarometer Flash Survey "Companies engaged in online activities"
DG Communication (DG COMM)	12.027701	Pilot Project – Single Market Forum
DG ENV	02.030202%	Contribution to the operation of European consumer organisations representing environmental interest in the development of standards for products and services at European level
Eurostat, the statistical office of the European Union (ESTAT)	02.0601%	Delivering operational services relying on space-borne observations and in-situ data (Copernicus)
Joint Research Centre (JRC)	02.0601% 02.0651%	Delivering operational services relying on space-borne observations and in-situ data (Copernicus) Completion of European Earth monitoring programme (GMES)
DG for Neighbourhood and Enlargement Negotiations (DG NEAR)	02.027710	Preparatory action – Switch-med
Publications Office of the European Union	02.045100%	Completion of previous research framework programmes – Seventh Framework Programme – EC (2007 to 2013)
DG RTD	02.045100%	Completion of previous research framework programmes – Seventh Framework Programme – EC (2007 to 2013)

ANNEX 11: Specific annexes related to "Assessment of the effectiveness of the internal control systems": not applicable

ANNEX 12:

Performance tables

Relevant General Objective: To ensure an open internal market for goods and services conducive to growth and jobs			
Specific Objective: To ensure the correct application of EU law			
Baseline	Milestone	Current Situation	Target (2020)
Result indicator: Number of consultations of the 98/34 and TBT notifications database measuring the awareness among stakeholders Source: Commission TRIS and TBT databases			
2008: 100 (baseline index) 2013: 177 2014: 218 (equalling ca. 673000 consultation/information p.a.)	Yearly increase of at least 5 %, leading to ca. 635 000 consultations/information in 2016	2014: 218 (equalling ca. 673000 consultation/information p.a.) ¹⁰⁷	Ca. 770000 consultations/informations in 2020
Awareness of Member States/EEA countries/Enlargement countries and economic operators on the Mutual Recognition Regulation (EC N° 764/2008)		2009-2014: 18 events (seminars, conferences)	Increased participation in information dissemination initiatives
Result indicator: Adoption of Commission Regulation adding chemical substances of very high concern (SVHCs) to Annex XIV of REACH based on a recommendation from ECHA on priority substances from the candidate list Source: ECHA website			
151 substances on the candidate list for substances of very high concern (December 2013) Third amendment of Annex XIV was adopted on 17 April 2013 with inclusion of 8 substances. The list contains 22 substances	ECHA expected to update the candidate list twice per year. 4 th amendment of Annex XIV expected in 2 nd quarter 2014 based on ECHA's fourth recommendation	161 substances on the candidate list for substances of very high concern (December 2014) The fourth amendment of the list of substances subject to authorisation (Annex XIV) was adopted in Regulation (EU) No 895/2014 of 14 August 2014 with the inclusion of 9 substances. The list contains 31	All indicators are related to continuously ongoing processes and cannot be quantified in numbers to be achieved by 2020.

¹⁰⁷ Proportional projection on mid-November statistics up to the end of year 2014.

		substances	
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Relevant General Objective: To ensure an open internal market for goods and services conducive to growth and jobs			
Specific Objective: To promote the development and use of innovative European standards			
Baseline	Milestone	Current Situation	Target (2020)
Result indicator: Rate of national transposition of European standards (ENs in support of EU legislation & policies and other ENs) Source: Reports from European standardisation organisations			
Implementation rates reported by the three European standardisation organisations ENs in support of EU legislation & policies: CEN: 99 %, CENELEC: 98 % (June 2013), ETSI: 92 % (July 2013)	> 95 % implementation rate of European standards at national level	End September 2014: CEN: 99 %, CENELEC: 98 %, ETSI: 94 %	Close to 100 % implementation rate of European standards at national level