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European Commission

2014

Annual Activity Report

Communications Networks, Content and Technology

This Annual Activity Report covers the activities of the Commission's Directorate-General for Communications Networks, Content and Technology (DG CONNECT) for 2014, a very significant year for the DG.

It sets out, in part 1, the policy achievements of the DG, and tries to give a flavour of the wide range of activities going on in the DG and what they can add to the creation of growth and jobs in the European Union and to the greater empowerment which digital technologies can bring to create a better world, now and for future generations.

Parts 2-4 provide information on the management of resources allocated to the DG, and how we are organised internally. These sections contain information about the error rates found in the grants that we fund, the balance that we have to find between trusting and controlling beneficiaries that we fund, and the costs and benefits of the different parts of the grant management operations.

It is hoped that the report offers a digestible view of the operations of the DG, and helps in understanding the different challenges the DG is facing. For more information please see our website: http://ec.europa.eu/dgs/connect/

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Director-General

DG CONNECT

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INTRODUCTION:

The DG in brief

DG CONNECT operates in a decentralised manner. In 2014 it was structured into nine Directorates placed under the authority of the Director-General and two Deputy Directors-General. Eight Directorates manage the core business of the Directorate General related to Regulation, Strategy & Research and one Directorate has a supporting function. DG CONNECT operates from two sites: Brussels and Luxemburg.

Throughout the year 2014, Robert Madelin was the Director-General of DG CONNECT.

The mission of DG CONNECT is to harness information & communications technologies in order to create jobs and generate economic growth; to provide better goods and services for all; and to build on the greater empowerment which digital technologies can bring in order to create a better world, now and for future generations.

To do so, DG CONNECT:

1 Supports high-quality research & innovation that delivers imaginative, practical and value-enhancing results;
2 Fosters creativity through a European data value-chain in which anyone can share knowledge;
3 Promotes greater use of, and public access to, digital goods and digital services, including "cloud" computing, in order to boost the European single market;
4 Ensures that those goods and services are more secure, that people can trust the rapidly evolving technologies which surround them, and that people have the right skills and confidence to use them as part of everyday life;
5 Works with partners globally to support an open Internet.

DG CONNECT lives its values as a creative, responsible and open European Union public service. It works on the best available evidence, and it cooperates closely with all its stakeholders. Its procedures are fully transparent, and it assumes accountability for its actions. It seeks value for the taxpayer's money in all it does.

Since 2012 DG CONNECT has translated the College's political objectives into operational activities through a structured process of prioritisation. The priorities set for each unit its goals, inputs and outputs as well as the impacts we seek. These priorities are explicitly mapped against the College top level goals, currently Europe 2020 and the Digital Agenda. This way, the work of the DG can be mapped against political objectives. Progress on each priority can be measured via indicators which draw on reliable data, and the work of the DG can be tracked over time.

In 2014, DG CONNECT supervised and governed three executive agencies: the Research Executive Agency (REA), the Innovation and Networks Executive Agency (INEA), the Executive Agency for Small and Medium-sized Enterprises (EASME), one Joint Undertaking, the Electronic Components and Systems for European Leadership (ECSEL (replacing ENIAC and ARTEMIS JUs)), the Ambient Assisted Learning (AAL) Joint Programme, the European Union Agency for Network and Information Security (ENISA) and the Body of European Regulators for Electronic Communications (BEREC). DG CONNECT also acted as the "Designated Service" under a delegation agreement with the EIB (Financial Instrument). For more information please see chapter 2.2.

The year in brief

New College
President Juncker has clearly defined the Digital Single Market as one of the Commission's top priorities. Under the political responsibility of Vice-President Ansip and Commissioner Oettinger, DG CONNECT will play a key role in delivering on President Juncker's commitments building upon the achievements of the past years under former Vice-President Kroes.

Following the re-organisation of the Commission services decided by the new Commission, DG CONNECT was allocated new portfolios in the areas of Copyright, online services and the Media Support Programmes, resulting in 47 colleagues joining the DG. The operational reporting and collaboration started on 1 November 2014 to face the new political priorities.

Human resources
DG CONNECT developed a Vision on the management of Human Resources over 2015-2019 within the DG - in close consultation with staff - to set out an integrated HR Strategy around four pillars: organisational fitness, talent management, great & balanced workplace and internal communication. This resulted in a detailed staff work programme laying down key priorities to be updated on a yearly basis.

DG CONNECT took a series of measures to plan sizes of units according to operational and political priorities. DG CONNECT still needs to make substantive efforts in decreasing support and coordination functions and very closely monitors and manages job quotas and careful assesses replacements/extensions in order to best align available resources with operational priorities.

DG CONNECT provided ample support to staff to address the changes introduced by the entry into force of the 2014 Staff Regulations and pursued its efforts in promoting staff satisfaction, well-being and in continued its focus to develop a respectful and inclusive workplace.

Externalisation/centralisation
The Commission decided to "delegate" the management of some of the 2014-2020 programmes, or part thereof to Executive Agencies: Horizon 2020 and the Connecting Europe Facility ("CEF") related to transport, energy and ICT, FET Open, SME/Open Disruptive Innovation CEF and Societal Challenges with the exception of health, demographic change and well-being.

In addition, support services (common IT operations, common ex-post audit service, common legal support, common business processes and common services for Horizon 2020 information and data) were centralised for the implementation of Horizon 2020 within the Common Support Centre (CSC). DG CONNECT implemented the 2013 Heading Communication on the delegation of the 2014-2020 programmes' management to the Executive Agencies by redeploying posts to the Executive Agencies and the CSC.

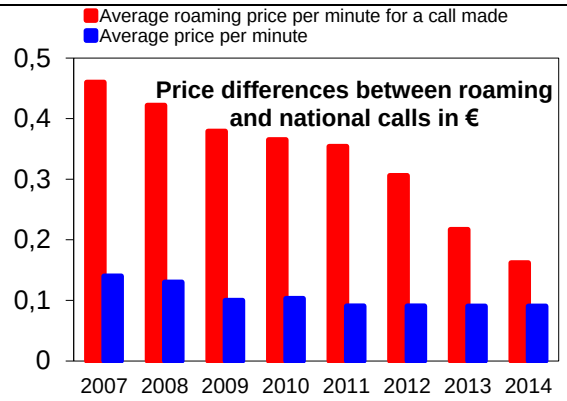
ECSEL Joint Undertaking
On 27 June 2014, the ECSEL Joint Undertaking was established, as a legal successor of ARTEMIS and ENIAC JUs combining them into a single initiative.

EXECUTIVE SUMMARY

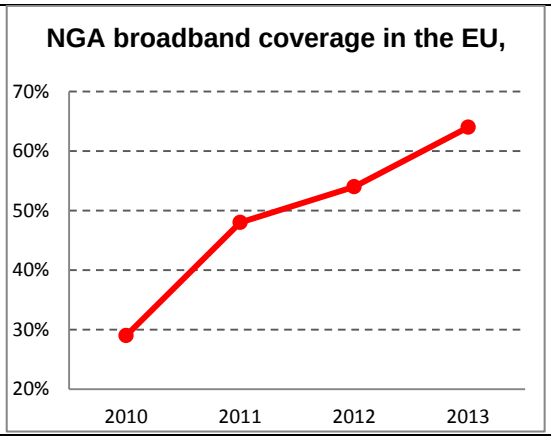
The Annual Activity Report is a management report of the Director-General of DG CONNECT to the College of Commissioners. It is the main instrument of management accountability within the Commission and constitutes the basis on which the Commission takes its responsibility for the management of resources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

Key Performance Indicators

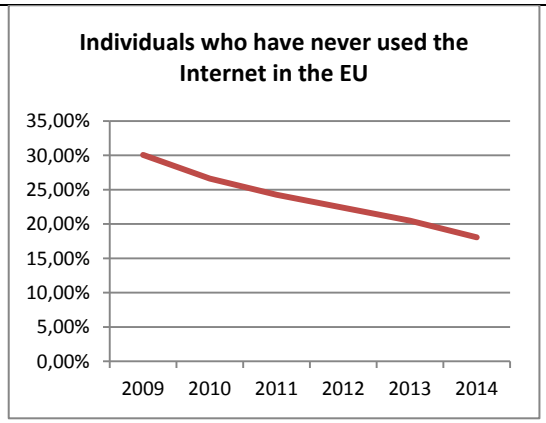
The following key performance indicators give a useful insight into the most significant achievements toward the general objectives of DG CONNECT in 2014. Progress made in 2014 on the key performance indicators can at any moment be found in the annual Digital Agenda Scoreboard, which assesses progress made with respect to the targets set out in the Digital Agenda for Europe (DAE).

Result/Impact indicator (description)	Trend	Target (or milestones)	Latest known results as per Annual Activity Report
The difference between roaming and national tariffs to approach zero by 2015	☺		The EU average for outgoing roaming calls was 16,2 €c/min, EU SMS averages was 5,1 €c/SMS and for data roaming services the EU average was close to 8€c/Mb in the third quarter of 2014, presenting a decrease of around 27% for all services from the previous year. The price difference between roaming and national calls is decreasing rapidly.

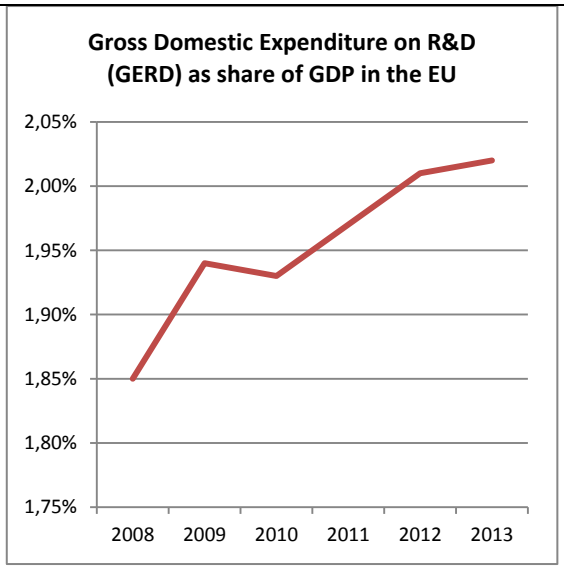
Concerning **roaming price developments**, the EU average for outgoing roaming calls was 16,2 €c/min, EU SMS averages was 5,1 €c/SMS and for data roaming services the EU average was close to 8€c/Mb In the third quarter of 2014, presenting a decrease of around 27% for all services from the previous year (thanks to legislation, not to market forces), but equality will not be reached by 2015. The availability of new retails offerings (RLAH) did not materialise to a substantial extent because 2014 was a transitional year for roaming – the traditional price capping mechanism was working along the new measures (separate sale of roaming services). In addition, new roaming provisions were under consideration in the ongoing legislative process on the Connected Continent. The initial target date for the achievement of the indicator was based on the assumption that the main output (adoption of legislative package) would have been realised in 2014. Due to the delayed negotiations in the Council the target date has been moved to reflect the current state of inter-institutional negotiations. Without certainties as to the final outcome of the ongoing legislative process and how it would affect roaming rules in force, this may have affected the wider commercial roll-out of RLAH offers. Despite this, substantial reductions in average roaming prices continued both because of the gradual reductions in roaming price caps and because of emerging market forces. The overall objective of reducing price difference between roaming and domestic prices is progressing well. Specific details on how the final goal is reached are not yet clear because of the ongoing legislative process. During 2014 BEREC and the BEREC Office, in particular through the expert working group (EWG) on roaming and the EWG on benchmarking, have positively contributed to this objective.

The entire EU to be covered by broadband above 30 Mbps by 2020	☺		Next Generation Access (NGA) - the share of households already covered stands at 64% which is higher than last year's 62%.

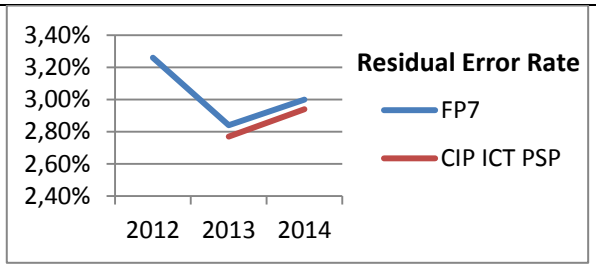
In 2014 64% of the EU population had **basic broadband coverage** at speeds above 30 Mbps compared to 62% in 2013. Concerning the coverage of New Generation Access (NGA) networks, while the share of households already covered stands at 64% and it therefore looks as if the target will easily be achieved by 2020, one must bear in mind that the remaining households are mostly rural and more difficult to reach than the low-hanging fruit so far. Progress towards the achievement has continued in 2014, with an increase of 8 percentage points in NGA coverage on year-on-year basis, though the take up target of 100 Mbps is still at the early stages. However – as a result of Commission work with operators, investors and users, the investment outlook looks definitely stronger than one year ago and CAPEX figures are on the rise. Although direct causality links cannot be established, proactive engagement by the Commission to reduce broadband costs (Cost reduction directive), enhance regulatory certainty (recommendation on cost methodology), align public activities (ex-ante conditionality 2.2 requires Member States to establish an pertaional NGA plan before engaging Structural funds) and efforts to ensure more funds are or will be available (ESIF negotiations, EFSI pipeline building, including Connected Communities) has had influence over the dynamics of the numbers. On CEF, the Commission signed the first project bond ever in the telecommunication sector and reached an agreement with the EIB about the debt platform to be funded.

To halve the proportion of the population that has never used internet from 30% to 15% by 2015	☺		The proportion of the population that never used internet decreased from 20% in 2013 to 18% in 2014.

On the share of **individuals never having used the Internet**, the target of halving it to 15% by 2015 looks on current trends like being missed by a whisker, which is however within the statistical margins of error. Concerning the percentage of the population buying online, in 2013, 50% of the population ordered goods and services online compared to 47% of the population in 2013 so here DG CONNECT has already reached the target of 50% in 2015. The Digital Agenda for Europe (DAE) has delivered results which will contribute to the digital economy development in Europe. Since the launch of the DAE, the digitalization of the continent has made a leap forward. Basic broadband is now available all over Europe, more than two thirds of citizens use the internet on a regular basis and almost half of the EU's population buy goods and services online. However, in other areas the goals of the Digital Agenda are likely to be missed. Cross-border e-commerce amongst SMEs is poorly developed, e-government is developing only slowly and public investment in ICT R&D is stagnating. The DAE has also been a breeding ground and launch pad for major new (regulatory) initiatives that will impact positively on the digital economy, e.g. Telecoms Single Market (TSM) proposal. The DAE has influenced policy making, steering Member State policy and even third countries. As of October 2014 more than 20 Member States have launched national Digital Agenda programmes. However, with only 14% of SMEs using the Internet to sell online and only 12% of consumers shopping online across borders, we do not yet have a Digital Single Market in Europe. The new Digital Single Market proposals, together with the recently announced EUR 315 billion investment plan, will represent major step-changes in EU policy for the single market.

3% of the EU's GDP should be invested in R&D	😐		2008: 1,85% 2009: 1,94% 2010: 1,93% 2011: 1,97% 2012: 2,01% 2013: 2,021% The latest data of 2014 are not yet available. The 2013 data reveal that 2,02% of the GDP were invested in R&D.

As regards the Horizon 2020 target of **3% of GDP invested in R&D,** the latest data of 2014 are not yet available but the 2013 data reveal that 2,02% of the GDP were invested in R&D. A gross expenditure of 3% of GDP on R&D is also one of the five headline targets of Europe 2020 and the overall trend is unchanged: there is year-on-year improvement but achieving the 2020 target will still be challenging[2].

FP7 and CIP Ex-post control residual error rate	😐		2012: FP7: 3,26% 2013: FP7: 2,84%, CIP: 2,77% (limited sample) 2014: FP7:, expected residual error rate: 3%, CIP: 2,94% (limited sample)

[2] See *Taking stock of the Europe 2020 strategy for smart, sustainable and inclusive growth* (COM(2014) 130, 5.3.2014).

For the 7th Research Framework Programme (FP7), DG CONNECT expects a **residual error rate** of 3%, which is above the 2% materiality threshold and therefore issues a reservation, as it did in the past years and in line with similar reservations expressed by the other DGs in the Research family. The residual error rate for the Competitiveness and Innovation Programme (CIP) ICT PSP amounts to 2,94% which is still based on a limited sample. Analysis of the errors has shown that the projects are usually affected by the same errors as FP7 projects. DG CONNECT would therefore expect that the residual error rate is not likely to decrease under the materiality threshold at the end of the programme and therefore expresses a reservation on the legality and regularity of these payments.

Policy highlights of the year

Digital Single Market (DSM)

The Digital Single Market is one of the top priorities of the new Commission. In 2014, an inter-service Task Force was set up to analyse the state of policy development in the DSM and identify obstacles for businesses and consumers restraining digital services use and deployment in the EU. The Task Force produced a scoping paper, which outlines a number of topics that should be addressed in the future policy on the DSM.

The adoption of the eIDAS Regulation in July was a major step towards the completion of the Digital Single Market. It boosts trust, security and convenience in cross-border and cross-sector electronic transactions as it provides a predictable legal framework for electronic identification and trust services allowing EU citizens, business, and public administrations to confidently go digital.

The **Network Information Security (NIS) Directive**, proposed in February 2013 and likely to be adopted in the second quarter of 2015, constitutes a cornerstone of the EU Cybersecurity Strategy around five priorities: achieving cyber resilience, reducing cybercrime, developing a cyber defence policy, developing the industrial and technological resources for cyber-security, and establishing a coherent international cyberspace policy for the EU while promoting core EU values.

After several years of hardly any growth, 2014 saw a 6% increase of take-up of **eGovernment services by citizens,** reaching 47%, of which 26% have sent filled-in forms. These latest results are very encouraging and lead us to be cautiously optimistic in terms of meeting the 50% target set for 2015. The mid-term evaluation of the eGovernment Action Plan was completed in April 2014.

Digital literacy is a precondition for any progress in the area of digital services. For example, the results of the Eurobarometer study on Europeans' digital health literacy showed that there are big gaps between Member States but also that Europeans are hungry for online information about health and healthy lifestyles: over 75% of Europeans think the Internet is a good way of finding out more about health, and 60% go online when looking for health information with 90% of those saying that the Internet helped them improve their knowledge about health-related topics. When online, people are hunting for health-related topics or to improve their lifestyle choices such as nutrition, physical activity, smoking etc.

Impact of ICT in FP7 Programmes and transition to H2020[3]

2014 marked the passage from the 7th Research Framework Programme (FP7) to Horizon 2020 (H2020), the new EU research and innovation programme. FP7 in general and the ICT Theme in particular have been making a major contribution to the Europe 2020 strategy and to the Digital Agenda for Europe, one its flagships initiatives. With a budget of €9.1 billion, the ICT thematic area has been the largest in the Cooperation Programme. This has contributed directly to progress towards the overall 3% R&D headline target in Europe 2020 public investment.

The FP7 ICT Programme has also been contributing to the Innovation Union Flagship, by improving the framework conditions and access to finance for research and innovation. FP7 ICT has promoted pooling of

[3] This section is based no evidence from the study SMART 2013/0049 "Support to ex-post evaluation of ICT research in the Seventh Framework Programme".

efforts in research funding in key ICT technologies, thus contributing to strengthen the innovation chain. The funding has leveraged private spending, among others through Public-Private Partnerships and Joint Technology Initiatives designed to leverage more R&D investments from Member States.

The greatest impact of the Programme has been the knowledge effects for its participants, where the required competences, resources, scale and scope could not have been achieved to the same degree at the national level. The network generated by the FP7 ICT is very stable and resilient, indicating that a critical mass for a European Research Area has been consolidated.

The European Added Value in this area is high: the programme has addressed Pan-European challenges, built the critical mass in technological domains, and brought together stakeholders not traditionally cooperating. Being primarily a pre-competitive research programme, FP7 ICT has augmented the European knowledge base by creating and disseminating a wealth of outputs: publications, prototypes, patents, expertise and know-how.

Moreover, it has been established that research undertaken at the European level has been more-highly valued (in terms of citation of publications and further use) than research originating at the national level. Furthermore, in some areas of higher technological maturity, the knowledge created has served to develop some applications in their early stages of deployment.

EU-funded projects in the area of ICT have also led to dynamic spin-offs (125 as from the final reports) set up to commercialise products and services resulting from EU support. There is also evidence of SMEs that have been active in the Programme and have grown as a result both in terms of employees and turnover, building their success on the programme participation.

Projects delivered valuable opportunities not only to the research community and direct beneficiaries of successful proposals but also enabled concrete solutions implemented in applicable cases for the benefits of European citizens. In areas such as telecommunications, internet of things and semiconductors, standardisation has also been an outcome of the projects.

Despite major achievements in generating new knowledge and nurturing networks, it is recognized that FP7 ICT mechanisms had limited impact on better translating research results into innovative products, processes and services. H2020 has been designed to help remove the obstacles to technology deployment and transfer, facilitating the transition from research to market.

ICT in Horizon 2020

Horizon 2020 places an inclusive, sustainable and smart growth at the forefront, while still supporting the European Research Area (ERA). Progress towards this general objective is assessed by three performance indicators: the share of EU GDP devoted to R&D activities, the innovation output and the share of researchers.

ICT-related topics are present across all the main areas of Horizon 2020, i.e. Excellent Science, Industrial Leadership, and Societal Challenges. In 2014, a first wave of more than 20 Horizon 2020 calls for proposals related to ICT resulted in the launch of research and innovation projects for a funding of around 1.4 billion EUR.

DG CONNECT supports projects in the ICT domain spanning from advanced research on radically new technological possibilities, to application-driven research and innovation leveraging ICT to tackle societal challenges.

Future and Emerging Technologies (FET)

At the end of 2014, one year after the start of H2020, the Future and Emerging Technologies (FET) was operating at full speed in its three facets (FET Open, FET Proactive and FET Flagships). This activity is fundamental in pushing the Excellence Science pillar, together with the European Research Council (ERC), the European Research Infrastructures and the Marie Sklodowska-Curie actions. The two FP7 **FET Flagship projects** have completed their first year of work and Framework Partnership Agreements have been created, pushing for ground-breaking achievements in the applications of Graphene and in the knowledge of the Human Brain.

Research Infrastructures

The first sub-call in 2014 for **eInfrastructure,** supporting the e-infrastructure for Open Access, resulted in the project OPENAIRE2020 with a budget of €13 MEUR. The second sub-call supporting the area of data centric science and engineering and computational infrastructure, resulted in 15 new projects and the establishment of a Framework Partnership Agreement with GÉANT, aiming for the long-term cooperation with the European "communications commons" for research, education and public services.

Leadership in Enabling and Industrial Technologies (LEIT)

This part of the Horizon 2020 programme aims at speeding up development of the technologies and innovations that will underpin tomorrow's businesses. In the field of ICT more than 200 projects were retained in 2014 for a funding of app. 660 MEUR, spanning from smart cyber physical systems to web entrepreneurship.

The emphasis for LEIT actions is also put on the strengthening of SMEs' competitiveness and innovation, introducing, among others, *ad-hoc* instruments, like the **SME instrument**. Support to innovation from lab to market is also strengthened through the introduction of an **Innovation Radar**, a programme management activity scanning running ICT projects to identify high potential innovations and the go-to-market needs of the innovators.

Societal Challenges

The challenge-based approach of Horizon 2020 has brought together resources and knowledge across different fields, technologies and disciplines to respond directly to the policy priorities and societal challenges that are identified in the Europe 2020 strategy. The ICT projects selected in 2014 will contribute to advancing active and healthy ageing, citizen-centred care, eHealth, solutions for energy efficiency, smart transport, social inclusion, security, waste management, public sector innovation and cultural heritage.

Specific initiatives worth mentioning in the societal challenges domain, include: the European Innovation partnership on Active and Healthy Ageing (EIP AHA); the European Innovation Partnership on Smart Cities and Communities (EIP SCC); and the Active and Assisted Living Joint Programme (AAL JP.

The ICT **Public-Private-Partnerships** (PPP) constitute an important axis of ICT activities under the industrial leadership priority of Horizon 2020. These PPPs aim to achieve optimal levels of investment by overcoming fragmentation of efforts and the provision of an explicit incentive to develop a common strategic vision by public and private actors across various interlinked sectoral areas. The following ICT contractual PPPs (cPPPs), signed in December 2013, started to develop their activities in 2014:

- **Robotics**. This €2.8 billion public-private partnership (€700 MEUR from the EU, €2.1 billion from private stakeholders) is the largest civilian research programme in robotics worldwide. Europe is already a world-market leader in robotics with a 35% market share. With SPARC (the Partnership

for Robotics in Europe), the goal is to increase the market share further to 42%, conquer new markets, and create 240,000 new jobs.

- **Photonics**. Photonics is a Key Enabling Technology, together with electronics and manufacturing, where the objective is to gain a production share in Europe of 20% by 2020 up from 18% today. It is supported through a €2.8 billion public-private partnership (€700 MEUR from the EU, €2.1 billion from private stakeholders).
- **High Performance Computing**. The implementation of the HPC Strategic Research Agenda has included two calls so far: €97.4 MEUR within the FET Proactive for core technologies and €40 MEUR in eInfrastructure for Centres of Excellence in HPC applications. This is complemented with the support (€15 MEUR) to the Pan-European HPC infrastructure (PRACE) and the establishment of the European Network of HPC Centres of Competence (planned to start in mid-2015).
- **Advanced 5G Network for Future Internet**. The 5G Public Private Partnership (5GPPP) is working on the next generation of mobile and fixed communications and Internet infrastructure in a sector that is responsible for 1.2 million jobs and corresponds to 27% of the global market. The signature of the Contractual Agreement on 17 December 2013 was followed by several initiatives: the creation of a 5G Association Board (beyond founding members); the creation of a first set of working groups; strategic international cooperation relationships with key potential partner countries, including Korea, Japan, the US, China and Taiwan (a first formal cooperation agreement – "Joint Declaration" – was signed with the Republic of Korea on 16 June 2014 between Minister Choi and VP Kroes).
- **Big Data**. This PPP, signed on 13 October 2014, will strengthen Europe's big data community and help lay the foundations for the thriving data-driven economy of the future. It will also support "Innovation Spaces" offering secure environments for experimentation with both private and open data.
- ICT also contributes with a funding of €450 MEUR to the **Factories of the Future PPP**. This PPP aims at increasing EU industrial competitiveness and sustainability in a global world through research and innovation activities for the timely development of new knowledge-based production technologies and systems, targeting competitive and sustainable production plants; industrial automation, machinery and robotics; industrial software for design and plant management.

A special case of a PPP is the Joint Technology Initiative **ECSEL**. This €5 billion public-private partnership for electronics components and systems (ECSEL) is a key element of EU's strategy to boost Europe's electronics design and manufacturing capabilities. The funding comes not only from the EU budget (1.18 billion) but also from Member States and is matched by investments of the private partners.

The **Future Internet PPP** launched under FP7 for the period 2011 to 2016 is now focused on the take-up of its earlier results, preparing its sustainability beyond the funding period. These steps include, among others: the launch of the FIWARE brand – a technology enabling an easy and fast development as well as deployment of advanced Internet applications and services; increased capacity and access possibilities for developers to the test bed FI-LAB; and an accelerator project for start-up and entrepreneurs. At the end of 2014, two Member States - Germany and Austria - launched national ICT programmes in which they refer to the use of FI-PPP results or FIWARE.

Connecting Europe Facility

In 2014, the Commission was finalising administrative steps which are necessary before the

implementation of CEF broadband (financial instruments and technical assistance) can start, in particular: the Delegation Agreement with the EIB for the establishment of CEF Debt instrument and the negotiation of the Administration Agreement with the World Bank for the establishment of technical assistance platforms. In connection with the CEF broadband, the Commission also launched the Connected Communities initiative (CCI), which is a public call for expression of interest and aims at identifying the technical assistance needs of local communities and offers targeted support to potential project promoters.

Other highlights include:

Following up the Council Conclusions of October 2013 in which the Council recognised big data and cloud computing as strategic priorities for Europe being key enablers for innovation and better services, the Communication COM(2014) 442 final "Towards a thriving data-driven economy", adopted on 2 July 2014, focuses on the digital economy, innovation and services as drivers for growth and jobs and calls for EU action to provide the right framework conditions for a single market for Big Data, the Internet of Things and cloud computing.

Key conclusions on resource management and internal control effectiveness

In accordance with the governance statement of the European Commission, (the staff of) DG CONNECT 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 standards, based on international good practice, aimed to ensure the achievement of policy and operational objectives. As required by the Financial Regulation, the Director-General 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 CONNECT has assessed the effectiveness of its key internal control systems during the reporting year and has concluded that the internal control standards are effectively implemented. Furthermore, DG CONNECT has taken measures to further improve the efficiency of its internal control systems in the area of staff allocation & mobility (ICS 3) and Business Continuity (ICS 10). Please see Part 3 for further details.

In addition, DG CONNECT has systematically examined the available control results and indicators, including those aimed at supervising entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by internal auditors and the European Court of Auditors. These elements have been assessed to determine their impact on the management's assurance as regards the achievement of control objectives. Please see Part 2 and Part 3 for further details.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance albeit qualified by reservations concerning the rate of residual errors with regard to the accuracy of cost claims in the 7th Research Framework Programme's and the Competitiveness and Innovation Framework Programme's grant agreements.

Information to the Commissioner

The main elements of this report and assurance declaration, including the reservations envisaged, have been brought to the attention of Commissioner Günther H. Oettinger, responsible for Digital Economy and Society.

1. POLICY ACHIEVEMENTS.

1.1 Achievement of general and specific objectives

1.1.1 Policy and regulatory activities (general objective 1)

General objective: Improving the EU's global competitive position in the transition towards a 'smart' Internet economy as set out in Europe 2020 and as implemented notably through the European Semester by completing the digital single market.		**☒Spending programme name the related spending programme) ☐ Non-spending**
Impact indicator: Percentage of population buying online (Source: DAE, http://ec.europa.eu/digital-agenda/en/scoreboard		
Baseline (year)	Current Situation	Target
45% (2012)	50% (2014)	By 2015, 50% of the population should be buying online.
Impact indicator: Percentage of population buying cross-border online (Source: DAE, http://ec.europa.eu/digital-agenda/en/scoreboard)		
11% (2012)	15% (2014)	By 2015, 20% of the population should buy cross border online.
Impact indicator: Percentage of small and medium enterprises (SMEs) doing eCommerce (Source: DAE, http://ec.europa.eu/digital-agenda/en/scoreboard)		
13% (2012)	15% (2014)	By 2015, 33% of SMEs should conduct online purchases/sales.
Impact indicator: Difference between roaming and national tariffs in mobile communications (Source: DAE, http://ec.europa.eu/digital-agenda/en/scoreboard)		
33% (2012)	0.11 € (2014)	By 2015, the difference between roaming and national tariffs should approach zero.
Impact indicator: Broadband coverage (>30 Mbps) (Source: DAE, http://ec.europa.eu/digital-agenda/en/scoreboard)		
54% (2012)	64% (2013)	By 2020, broadband internet access at or above 30 Mbps for 100% of EU citizens.
Impact indicator: Ultra-fast broadband take-up (>100 Mbps) (Source: DAE, http://ec.europa.eu/digital-agenda/en/scoreboard)		
2% (2012)	5% (2014)	By 2020, 50% of EU households should have subscriptions above 100Mbps.
The target for online shopping has already been reached one year ahead of time, but the target for cross-border will certainly be missed. The reasons for the slow uptake of cross-border eCommerce are currently being addressed in the upcoming digital Single Market Strategy. The share of SMEs selling online is far from the target of 33%. This issue will also be addressed in the Digital Single Market Strategy. However, one must keep in mind that the target mentions online purchases/sales, not just sales. Purchasing figures are much higher, but the data collection has been abandoned due to the unreliability of the indicator. Roaming prices have started to move rapidly towards the target following the latest price regulation. However, the target will not be me by 2015. For both of the broadband targets for 2020 it is too early to tell whether they will be met, since adoption is not linear. In other words, the low figure for 100 Mbps subscription may be as misleading as the high figure for 50 Mbps availability.		

General objective: Promote the access and use of ICT to the benefit of EU society.		**☐Spending programme name the related spending programme) ☒ Non-spending**
Impact indicator (definition): Percentage of population using internet regularly (Source: DAE, http://ec.europa.eu/digital-agenda/en/scoreboard)		
Baseline (year)	Current Situation	Target
70% of the population used internet regularly (2012)	75% of the population use internet regularly (2014)	By 2015, 75% of the population should be using internet regularly
Impact Indicator: percentage of disadvantaged people using internet regularly (Source: DAE, http://ec.europa.eu/digital-agenda/en/scoreboard)		
54% of the persons with disadvantages used internet regularly (2011)	61% of the people with disadvantage use internet regularly (2014)	By 2015, 60% of people with disadvantages should use internet regularly
Impact Indicator: percentage of population that has never used internet (Source: DAE, http://ec.europa.eu/digital-agenda/en/scoreboard)		
22% of population never used internet (2011)	18% of population never uses the Internet (2014	By 2015, 15% of population never use the Internet
There is a systematic increase of the use of Internet by total population as well as by the disadvantaged. The steady progress should also continue in the future and adoption of the Web-Accessibility Directive (foreseen for Q4 2015) should further enable the use of Internet by the visually impaired. The policy of promoting access and use of ICT to the benefit of society is on course to meet its multiannual objectives.		

Specific Objectives:

Policy and Regulatory framework for a completed digital single market

Relevant general objective: Regulatory environment for a completed digital single market		
Specific objective: Bring forward rules to support a competitive telecom single market fostering innovation and investment		**☐Spending programme ☒ Non-spending**
Result indicator: Increased investment by telecoms' operators; growing market shares and numbers of alternative providers; higher broadband penetration, lower prices and development of new technologies and take-up of digital services (Digital Agenda Scoreboard, BEREC annual reports on developments in the sector). Source: Position of the European Parliament (PE 519.916)		
Baseline	Current Situation	Target
Fragmentation of national general authorisation regimes (2013)	EP adopted its position with its 1st reading (substituting the original single European authorisation with a one-stop-shop notification with BEREC). Council still needs to adopt position	Full entry into force for new and existing operators (2016)
Inconsistency of ex ante remedies on European operators (2013)	EP adopted its position with its 1st reading (deletion of EC veto power on remedies). Council still needs to adopt position	Full entry into force of the Regulation (2014)
Lack of standardised EU virtual access products across the EU (2013)	EP adopted its position with its 1st reading (substituting the standardised EU virtual access products with BEREC Guidelines on reference offers for wholesale high speed products for business markets). Council still needs to adopt position	Full entry into force of implementing acts specifying technical features of virtual access products (2016)

Main outputs in 2014			
Description	Indicator	Current situation	Target
Negotiation: Building on the proposal for a Regulation, outreach activities and negotiation of the legislative proposal with EP and Council	First Reading in EP; Common position in Council Adoption of the proposal	See hereunder	First Reading in EP; Common position in Council; Adoption of the proposal
While the European Parliament has adopted its negotiation position with overwhelming majority of the Plenary in April 2014, the Council did not manage to adopt a mandate to start trialogues in 2014 in view of final adoption of the proposal. This is due to significant divergences of Member States on other parts of the TSM proposal (i.e. roaming and net neutrality) as well as a call for a significant simplification of the original Commission proposal, in particular with regard to the rules included in the abovementioned baseline priorities. In this regard, moreover, the first reading of the EP significant deviates from the original proposal, although its negotiation position may partially achieve some of the intended objectives, in particular in terms of simplification of initial notification procedures and some limited increased consistency of reference offers for high speed wholesale access products for business segments. The abovementioned objectives, therefore, may be achieved only partially, if in any measure, only in the course of 2015. As evidence above, the part aiming at bringing forward rules to support a competitive telecom single market fostering innovation and investment of the policy managed by the DG is on course to meet its multiannual objective for this objective and has not achieved the annual performance indicators or milestones in the reporting year. This is due to the delays in the formation of a negotiation position of the Council.			

Relevant general objective: Regulatory environment for a completed digital single market	
Specific objective: Reduce the cost and increase efficiency in the deployment of high-speed electronic communications networks, to facilitate the roll-out of EU-wide high-speed broadband networks so that all parts of the European Union can be connected[4]	☐**Spending programme** ☒ **Non-spending**

Result indicator: Increase in sharing physical infrastructure, including cross-sector, increase of coordination of civil engineering works, number of high-speed broadband-ready houses, transparency and timeliness in granting administrative permits.
Source: Study on the Implementation, monitoring and evaluation of measures under Directive 61/2014 to reduce the cost of high-speed broadband infrastructure deployment and facilitate cross sector cooperation on ICT infrastructure deployment - SMART 2015/0001 - DC/FS/IAV

Baseline	Milestone	Current Situation	Target
Several measures to facilitate broadband roll-out are being adopted in Member States, yet they remain scarce and scattered (with different scope and obligations, deployed on a regional or even local basis), cf. Impact Assessment.	Adoption of proposed regulation (2014)	Directive 2014/61/CE was adopted on 15.5.2014. The obligation for public sector bodies to make available information to a Single Information Point (SIP) is not included as mandatory. Member States may establish such bodies and impose this obligation on public sector bodies. The obligation for SIP to ensure that access to minimum information would be available	After adoption / transposition date: 6 months: Public sector bodies to make available information in electronic format to a Single Information Point (SIP)12 months: The SIP to ensure that access to minimum information is available 36 months: Commission to present a report on the implementation of this Regulation

[4] This specific objective is equally supported by actions under CEF.

		within 36 months has been partially taken on board the Directive, which provides that minimum information which has been made available to the SIP shall be made available by 1 January 2017.	

Main outputs in 2014

Outreach activities and negotiation of the legislative proposal	Indicator	Current situation	Target
	First reading by the EP Common position by Council Adoption of the Proposal for a Regulation	Directive adopted on 15 May 2014 at first reading	2014

The legislative proposal was adopted as scheduled in 2014, but in the legal form of a Directive. The change of the legal form, in view of the need for transposition, will result in a relative delay in the achievement of the targets.

DG CONNECT is providing assistance to the Member States at COCOM during the transposition period in order to address sufficiently in advance any issue and to ensure that the Directive is properly transposed. We are also providing technical assistance through workshops in order to ensure dissemination of best practice, in order to achieve our objectives.

As evidence above, the policy managed by the DG has achieved its objective for 2014 and is on track for the coming years.

Relevant general objective: Regulatory environment for a completed digital single market	
Specific objective: Support wireless broadband communications in the EU through most efficient use of spectrum to meet the target of 1200 MHz of spectrum available throughout the Single Market for wireless broadband (Radio Spectrum Policy Programme's (RSPP))	**☐Spending programme** **☒ Non-spending**

Result indicator: Ensuring sustainable wireless connectivity by identifying and allocating sufficient and appropriate spectrum. Achieving a predictable development path for terrestrial broadcasting and encouraging convergence.

Source: Spectrum Sharing and Efficient Use – New Initiatives

Baseline	Current Situation	Target
Spectrum for Wireless Broadband (990 MHz currently available) Conflicting demand for broadband and broadcasting (2013) Monitoring of Implementation	Stable text in RSC for EC Decision on 1.5 GHz band; first results of CEPT work on 2.3 GHz band Assessment of replies to the EC and RSPG Public Consultations on the UHF band On-going monitoring of those MS which still need to assign the 800 MHz band	Identify 1200 MHz of suitable spectrum for wireless broadband by 2015; adoption of EC Decision on 1.5 GHz and 2.3 GHz bands in 2015 Political Decision on the UHF band in 2015/2016 Ensure compliance with legal obligations by 2015

Main outputs in 2014

Co-ordinated EU position for WRC-15; EC Decision on PMSE	Indicator	Current situation	Target
	State of WRC-15 preparations; State of adoption process in RSC of EC Decision on PMSE	EC Decision on PMSE adopted; preparation for WRC-15 on track	2014

The CEPT work progressed more smoothly with regard to the 1.5 GHz band meaning that both the 1.5 GH and the 2.3 GHz band should be adopted in 2015. This has a positive impact on the progress made in the

identification of suitable spectrum for wireless broadband.
The High Level Group on the UHF band chaired by Pascal Lamy delivered strategic advice to the Commission for the development of a European strategy on the future use of the UHF band (report published in September 2014).
Furthermore, a study analysed "Challenges and opportunities of broadcast-broadband convergence and its impact on spectrum and network use" (published in December 2014).
The above-mentioned findings, together with the outcome of the public consultations on the Lamy Report and on the Draft RSPG Opinion on the same subject, will provide the necessary background for a timely political decision on the future of the UHF band.
As evidenced above, the spectrum policy managed by the DG is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.

Relevant general objective: Regulatory environment for a completed digital single market			
Specific objective: To establish a policy framework consistent throughout the Union that provides legal certainty regarding spectrum sharing conditions and incentives to use spectrum more efficiently (Radio Spectrum Policy Programme's (RSPP))			**☐Spending programme ☒ Non-spending**
Result indicator: Identification of spectrum for coordinated sharing conditions across Europe. Source: "Communication on "Promoting the shared use of radio spectrum resources in the internal market"			
Baseline	Current Situation		Target
2012 Communication on "Promoting the shared use of radio spectrum resources in the internal market".	Q1 2014: positive vote of RSC on amendment to EC Decision on UWB and the adoption of the Report on the inventory by the Commission in Q2 2014.		Growing number of Member States in favour of sharing. Member States provide more national data into the inventory
Main outputs in 2014			
Specific measures in the RSC	Indicator	Current situation	Target
Discussion in RSC on a) Review of RLAN Decision 2005/513/EC (5 GHz). b) Review of SRD Decision 2006/771/EC**.** Measures under Article 9 RSPP Report and Staff Working Paper on the spectrum inventory.	Review of UWB Decision 2007/131/EC; promotion of Licensed Shared Access (LSA) concept in concrete frequency bands; studies on RLAN (WiFi) expansion in the 5 GHz band Identification of bands that can be used more efficiently through sharing or reallocation	On-going studies on the 5 GHz RLAN extension bands and on LSA in the 2.3 GHz band On-going contacts with MS to collect and elaborate data	EC amending Decision on UWB; Mandate to CEPT on the 2.3 GHz band for LSA (keep CEPT work on track and liaise with other services (JRC, ENTR, MOVE)) Report to EP and Council on the Inventory
In order to promote a more efficient use of spectrum through its shared use, legislative measures on Ultra-wideband technology (UWB) and on harmonised spectrum for wireless microphones (PMSE: see above) were adopted. Technical studies are on-going in the CEPT to explore sharing possibilities for an extension of Wi-Fi, but are delayed because it is not possible to specify appropriate mitigation techniques and/or sharing conditions that would allow Wi-Fi/RLANs to be operated in the 5 GHz extension bands while ensuring relevant protection of incumbent services. Regarding the spectrum inventory, while difficulties occurred in collecting the data from Member States, a report to EP and Council based on a combination of input sources was produced (COM(2014) 536, 1.9.2014). This report stressed the important role of shares use of spectrum to deal			

with increasing demand. Follow up actions are under discussion in the RSC.

The Commission has implemented all the necessary actions and explored all possible options to reduce the risk of underutilisation of Spectrum through the inventory.

As evidenced above, the spectrum policy managed by the DG is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.

Relevant general objective: Regulatory environment for a completed digital single market	
Specific objective: Ensure that all Europeans have access to digital services through a review of the current scope of universal service at EU level	**☐Spending programme ☒ Non-spending**

Result indicator: Completed fact finding exercise to assess whether broadband and mobile services should be included within the scope of universal service at EU level to avoid social exclusion and a digital divide in case the market does not provide them at affordable prices. Overall, the aim is to ensure broadband access for all citizens and businesses in the Union without hampering private investments and placing unreasonable burden on the telecoms sector.

Baseline	Current Situation	Target
In November 2011, the Commission reported on the last review of the scope of universal service. According to Article 15 Universal Service Directive, the Commission has to periodically review the scope of universal service.	The review of the scope of universal service has been linked with the forthcoming review of the regulatory framework in electronic communications and will not take place in a separate exercise as originally planned for 2014.	To report on the review of the scope of universal service at EU level by end of 2015

Main outputs in 2014

The review of the scope of universal service has been linked with the forthcoming review of the regulatory framework in electronic communications and will not take place in a separate exercise as originally planned for 2014. The public consultation envisaged for 2014 will now take place in the context of the public consultation for the review of the regulatory framework in electronic communications in the second half of 2015.

However, preparatory steps for the review of the scope of universal service have already taken place in 2014 as planned. A questionnaire on demand and impact of the current universal service obligations has been sent to BEREC in Q1/2014 and its responses and synthesis report by BEREC were received in Q2/2014. In Q3/2014 the external study on the review of the scope of universal service (SMART 2014/0011) has been launched and its final report is envisaged at the end of Q2/2015.

The outcome of the review of the scope of universal service will be reported in the Green Paper on the Reform of the Regulatory Framework for electronic communications networks and services.

During 2014 BEREC and the BEREC Office, in particular through the EWG on end user and the EWG on benchmarking, have positively contributed to this objective.

As evidence above, the final report on the review of the scope of universal service managed by the DG is not on course to meet its multiannual objective for this objective and has not achieved the annual performance indicators or milestones in the reporting year. This is for the following reasons Given the inherent link between the eventual revision of universal service obligations and the review of the regulatory framework, it was decided to link the two planned reviews together to increase efficiency.

Relevant general objective: Regulatory environment for a completed digital single market	
Specific objective: Preserving an open Internet in which citizens have the right to access and run applications of their choice	**☐Spending programme ☒ Non-spending**

Result indicator: Percentage of Internet users affected by usage restrictions in the form of deliberate blocking or throttling should be zero and the actual fixed broadband speeds should be at least 90% of advertised speeds.

Source (BEREC for the first part of the indicator and external studies/NRAs information for the second part)		
Baseline	Current Situation	Target
1-In May 2012 a BEREC investigation on traffic management practices showed that more than 36% of all mobile users and more than 21% of all fixed network users in the EU are affected by restrictions on peer-to-peer traffic at peak times. In addition, more than 21%, and 12% of all mobile users are affected by restrictions on VoIP and other specific traffic, respectively. 2-In June 2013 an EC study showed that on average EU consumers get around 74% of the advertised broadband speed.	1-Same as in baseline as no new data are available yet 2- The actual download speed is 75,6% of the advertised speed, up from 74% a year earlier. Both advertised and actual speeds have increased since 2012. The average advertised download speed across all countries was 38.50 Mbps during peak hours, compared to 30.37 Mbps of actual speed; Average actual download speeds have has increased by almost 10Mbps since March 2012; Differences are small in cable, large in xDSL: xDSL based services achieved only 63.8% of the advertised headline download speed, compared to 89,5% for cable and 82,7% for FTTx.	0% of internet users, fixed and mobile, are affected by internet usage restrictions by end 2016. 100% of internet consumers get 90% of advertised speed by end 2016.

Main outputs in 2014			
Description	Indicator	Current situation	Target
1) Adoption of the Connected Continent Regulation	1-Regulation published in the OJ.	EP opinion adopted in April 2014.	Q2/2015

The initial target date for the achievement of the indicator was based on the assumption that the main output (adoption of TSM package) would have been realised in 2014. Due to the delayed negotiations in the Council the target date has been moved to end 2016.
The second expected output (Implementing Act) has been removed from the list following the discussion in the EP and the Council.
During 2014 BEREC and the BEREC Office, in particular through the EWG on net neutrality and the EWG on benchmarking, have positively contributed to this objective.
As explained above, the policy managed by the DG has not achieved the annual performance indicator or milestone in the reporting year. The target date has been modified.

Relevant general objective: Regulatory environment for a completed digital single market	
Specific objective: To reduce the difference between roaming and domestic tariffs by providing incentives to market actors to offer roaming at the level of domestic service price.	**☐Spending programme** **☒ Non-spending**

Result indicator: Availability of commercial 'roam-like-at-home' offers in the market by Q4 2014 by fostering greater competition in the market through "decoupling" and by incentivising operators to phase-out of roaming charges in Europe altogether.
Source (BEREC roaming benchmark report

Baseline	Current Situation	Target
Q4 2013. RLAH offers are not yet available covering the whole of the EU. Smaller in scale 'on-net' roaming offers offer a very limited geographical coverage.	While average retail roaming prices are decreasing and approaching domestic prices (in certain instances and depending on national tariff plan conditions, roaming SMS are already lower than domestic SMS), the availability of true RLAH offers is limited.	By the end of 2014, roam-like-at-home offers are made available to consumers. When offered, roaming at domestic prices should cover the whole of the EU.

Main outputs in 2014			
Description	Indicator	Current situation	Target
1) Adoption of the Connected Continent Regulation **2) Gradual introduction of offers including roaming services at domestic prices**	1-Regulation published in the OJ 2- Availability of RLAH offers	See narrative below	1) Q2/2015 2)Q4/2014
The availability of new retails offerings (RLAH) did not materialised to a substantial extent because 2014 was a transitional year for roaming – the traditional price capping mechanism was working along the new measures (separate sale of roaming services). In addition, new roaming provisions were under consideration in the ongoing legislative process on the Connected Continent. The initial target date for the achievement of the indicator was based on the assumption that the main output (adoption of legislative package) would have been realised in 2014. Due to the delayed negotiations in the Council the target date has been moved to reflect the current state of interinstitutional negotiations. Without certainties as to the final outcome of the ongoing legislative process and how it would affect roaming rules in force, this may have affected the wider commercial roll-out of RLAH offers. Despite this, substantial reductions in average roaming prices continued both because of the gradual reductions in roaming price caps and because of emerging market forces. The overall objective of reducing price difference between roaming and domestic prices is progressing well. Specific details on how final goal is reached are not yet clear because of the ongoing legislative process. During 2014 BEREC and the BEREC Office, in particular through the EWG on roaming and the EWG on benchmarking, have positively contributed to this objective. As evidenced above, the roaming part of the policy managed by the DG is on course to meet its multiannual objectives for this objective and has partly achieved the annual performance indicators or outputs and milestones in the reporting year.			

Relevant general objective: Regulatory environment for a completed digital single market			
Specific objective: To increase security and trust in the digital environment for the benefit of citizens, businesses and public sector organisations (DAE actions 28,34,38, 39 and 41)			**☐Spending programme** **☒ Non-spending**
Result indicator: - ICT security policies in place in EU enterprises - MS national NIS (Network and Information Security) legislation in place - MS national NIS capabilities and policies in place - Citizens' confidence in online government services established - Full and consistent implementation of e-Privacy legal framework - Coverage of industry-led online behavioural advertising (OBA) framework - Cooperation on cyber security existing beyond the EU			
Baseline	Milestones	Current Situation	Target
26% of EU enterprises have in place ICT security policy in 2012 (*Eurostat*)	NIS platform issues the guidance on cybersecurity best practices (2014)		30% of enterprises have ICT security policy by end 2016
MS either lack a national NIS framework or have divergent requirements among each other (*ENISA studies; Commission Impact Assessment on the proposal for a Directive on NIS)*	Adoption of NIS Directive (2014)	The NIS Directive is now likely to be adopted in Q2 2015 but there are still decisions that need to be taken including ensuring that there is a clear process for identifying market operators, inclusion of internet enablers in the scope and have effective operational cooperation which is essential for the proper functioning of	Transposition of NIS Directive in national law (Q3 2016)
MS have varying levels of preparedness to prevent, detect and respond to NIS incidents, threats and risks:	Adoption of NIS Directive (2014)		All MS to have national capabilities in place; 14 MS to

only 13 MS have national cybersecurity strategies; only 10 MS cooperate with each other operationally (ENISA studies; Commission Impact assessment on proposal for a Directive on NIS)		the Directive.	cooperate cross-border via the network of national competent authorities(Q1 2017)
21% of EU citizens quote data protection and security concerns as reasons for not using online government services (Eurostat 2009)			Decreased proportion of EU citizens having concerns with using online government services (from 21% to 20%)(Q4 2016)
Implementation of ePrivacy Directive in only 4 MS (May 2011)		Transposition of the ePrivacy Directive in all MS has been completed, but full consistency of the implementation still needs to be further evaluated.	Full and consistent implementation in all MS by end 2014.
International cooperation on cybersecurity is embryonic (*Commission impact assessment on proposal for a Directive on NIS*)	Adoption of NIS Directive (2014)	Same as above.	EEA/EFTA countries and like-minded third countries participating in the NIS network cooperation mechanism*(Q4 2017)*

Main outputs in 2014

Description	Indicator	Current situation	Target
Implementation of the EU Cybersecurity strategy	Adoption of the NIS Directive by the co-legislators	See above.	Directive adopted (2014)
	Commission Recommendation on good cybersecurity practices	Adopted (Q4 2014)	
Facilitating correct transposition and monitoring of ePrivacy Directive implementation	Application of technical implementing measures on data breach common notification form		Ready be end 2014
	Implementation of ePrivacy Directive	Full and consistent implementation in all MS by end 2014.	

For the NIS Directive, two trialogues were held in October and November. Negotiations within the Council on scope and cooperation are ongoing.

Regarding the ePrivacy Directive, various actions have been carried out to assess its complete and consistent implementation in all MS. The most salient examples include: (a) In 2014 a study was commissioned to gather evidence of the transposition of the ePrivacy Directive into MS legislation: Study on "ePrivacy Directive: Assessment of transposition, effectiveness and compatibility with the proposed Data Protection Regulation" (b) Two meetings with national authorities competent for the enforcement of the ePrivacy Directive (March and December) to discuss transposition and minimized the fragmentation in the transposition of the ePrivacy Directive into national law. Particular emphasis was made on the procedures for the notification of personal data breaches, following the adoption by the Commission of Regulation No 611/2013. (c) A inquiry on the implementation of Art 4(2) of the ePrivacy Directive (notification of risks of a breach of security) into Member States was made through the Communications Committee. An analysis of the responses is underway. (d) The Eurostat 2015 household survey includes questions regarding users' about users' behaviour towards increased used of cookies by web sites to provide behaviour advertising. Finally, the Commission also started a pilot

project with one Member State regarding the implementation of Art 5.3 of the ePrivacy Directive.

Relevant general objective: Regulatory environment for a completed digital single market	
Specific objective: To provide a comprehensive and predictable legal framework for the mutual recognition and acceptance at EU level of electronic identification schemes and of electronic trust services (including electronic signature). Once adopted, the eIDAS Regulation will help strengthen the EU Single Market by boosting trust, confidence and convenience in cross-border and cross-sector electronic transactions (DAE Actions 8 and 83)	**☐Spending programme ☒ Non-spending**

Result indicator: Number of Member States that have an eID scheme and, upon adoption of the eIDAS Regulation, notify it to the Commission
Source: eIDAS Regulation (article 9)

Baseline	Milestones	Current Situation	Target
eID cards exist in 7 MS and other forms of eID are used in 10 MS (2011)	2018	Implementing act on Notification of eID schemes to the Commission by the Member State to be adopted by mid-2015. (The notification system not yet in place and cannot start before beginning 2016).	16 MS to notify an eID scheme to the Commission by end 2016[5].

Result indicator: Percentage of SMEs using/relying on electronic identification, authentication and signature (eIDAS)
Source: SME Panel run in 2011

Baseline	Current Situation	Target
61% of SMEs use eIDAS technologically based services (2011)	Trust Services' provisions not applicable before mid-2016. (A survey could be run beginning 2017)	65% of SMEs by end 2015

Result indicator: Percentage of SMEs receiving or sending e-invoices
Source: Enterprises sending or receiving e-invoices, Eurostat, 2009

22% of SMEs receive/send e-invoices (2009)	Updated Eurostat figures to be expected mid 2015.	80% (by 2015)

Result indicator: Percentage of enterprises submitting a proposal in a public electronic tender system (eProcurement)
Source: DAE scoreboard
http://scoreboard.lod2.eu/index.php?scenario=2&indicators%5B%5D=e_igov2pr+ENT_ALL_XFIN+%25_ent&countries%5B%5D=EU27

Baseline	Current Situation	Target
11,3% of enterprises use e-procurement (2011)	Awaiting updating figures by Eurostat.	Full transition to e-procurement in the EU by mid 2016

Main outputs in 2014

Description	Indicator	Current situation	Target
Electronic identification and trust services for electronic transactions in the internal market	Negotiations on the proposal for a Regulation on electronic identification and trust services for electronic transactions in the	eIDAS Regulation adopted on 23.07.2014 Implementation on-going: 7 implementing	Adopted by the co-legislators (Q2 2014)

[5] It should be noted that the date of entry into force of the Regulation differs from its entry into application. Indeed, wrt the chapter on electronic identification, the voluntary recognition of eIDs will apply as of autumn 2015 (after adoption of the related implementing acts), while mandatory recognition will start late 2018. We therefore expect that some MS already start notifying the means they have in place as from beginning 2016.

	internal market COM(2012)238 final Relevant secondary legislation Follow-up of the legislative process with MS-ensure the coherence of national legislative process vis-a-vis European legislation	acts to be adopted by the Commission by mid-September 2015 on issues related to Trust services (EU trust mark for qualified trust services; electronic signature formats to be recognised by public sector bodies, electronic seal formats to be recognised by public sector bodies, trusted lists) and eID (cooperation between Member States, interoperability framework, Levels of assurance)	Adopted by the EC 2014/2015 Ongoing activity
The eIDAS Regulation was adopted on 14.7.2014: "Regulation 910/2014 of the European Parliament and of the Council of 23.7.2014 on electronic identification and trust services for electronic transactions in the internal market" OJ L 257/73 of 28.8.2014. The final text is very close to the Commission's initial proposal as it retains the original ambition, overall scope, form of the legal instrument, supervision mechanisms and all proposed trust services. As evidenced above, this part of the policy managed by the DG is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.			

Relevant general objective: Regulatory environment for a completed digital single market			
Specific objective: To ensure that the audiovisual and media sector can rely upon a regulatory framework which favours innovation and competition and attracts investments, taking into account objectives of general interest like the protection of minors and cultural diversity. To help Member States with the transposition of the EU Audiovisual regulatory framework (through identifying issues, delivering information, about how to implement, and efficient monitoring of the compliance with EU law) and if necessary starting infringement proceedings to ensure implementation (DAE action 4, 5, 10 and 82)			**☐Spending programme ☒ Non-spending**
Result indicator: Number of audiovisual media services in Europe (linear and non-linear) (Source: European Audiovisual Observatory)			
Baseline 2013	Current Situation		Target
8200 broadcasting services and 1300 video on demand[6]	8500 broadcasting services, Video on demand (not available yet) National and international broadcasters are increasing in number. Regional and local stations are decreasing.		Stable or increasing
Main outputs in 2014			
Description	Indicator	Current situation	Target

[6] Due to a clerical mistake, the Management Plan 2014 indicated 5200 (instead of 8200) broadcasters.

Analysis of transposition measures of the AVMSD notified by Member States	Number of Member States having fully and correctly transposed the AVMSD.	All notified measures have been analysed.	Analyse 100% of the notified measures mid-2014. When appropriate, infringement procedures to be launched as result of the screening of national measures transposing the AVMSD.
Monitoring of Legal Compliance (application of acquis communautaire)	Timely and appropriate handling of infringements detected either by complaints or independent studies.	The study will be launched in Q1 2015.	Launch a study in 2014 to define a new framework for the monitoring of advertising rules in the Member States to maximize the overall added value of such monitoring

Benchmarking of enlargement (candidate and potential candidate) countries' (and possibly some European Neighbourhood countries') readiness with regard to the implementation of the AVMSD and the alignment with European standards; Follow-up of implementation of Cultural Cooperation Protocols and preparation of new agreements on audiovisual cooperation	Analysis on case by case of alignment or readiness to implement the AVMSD in the respective countries	Relevant legislation has been screened. Montenegro, Bosnia and Herzegovina, and FYROM have largely aligned their legislation with AVMSD. In Turkey, compliance with the principle of freedom of reception and retransmission is still lacking. Iceland's compliance is assured by the EEA agreement. Serbia's legislative framework has substantially improved.	Full alignment of audiovisual legislation with AVMSD in Montenegro, Turkey, Iceland, Bosnia and Herzegovina, Serbia and the former Yugoslav Republic of Macedonia prior to accession of these countries to the EU. Continue the work supporting the alignment for Kosovo (under UN Resolution 1244/1999) and Albania. Conclusion of further agreements covering audiovisual cooperation with third countries and Switzerland (in cooperation with DG EAC and TRADE).
Monitoring report on the share of European audiovisual services transmitted by TV channels in the EU between 2011-2012	The average share of EU audiovisual media services	The report on the period 2011-12 is currently being compiled and will serve as input to the REFIT exercise 2015. A first data analysis shows the Member States overall will comply with the requirements of the AVMSD.	Target set in the directive (Art. 16 & 17 AVMSD): Share of European audiovisual works transmitted by TV channels in the EU larger than 50% of total transmission time, and 10% of transmission time or programming budget for independent works. (There is no deadline set in the legal framework.)
Guidance document on best practices to implement Art. 13 AVMSD on the promotion of European works on-line	Exact form of the document still to be decided (Staff working paper / Contact Committee document etc.)	The guidance document was published in July 2014. http://ec.europa.eu/digital-agenda/news/promotion-european-works-practice	Adoption planned for the first quarter of 2014.
Follow up to the public consultation on the independence of audiovisual media regulatory bodies - adoption of Commission Decision establishing the European Regulators Group for Audiovisual Media Services	Quality and timeliness of proposal Launch of interservice consultations in 2013.	The Decision was adopted on 3.2.2015 [C(2014) 462 final]. The Group held 4 meetings in 2014. On 4.3, the Rules of procedure were adopted and the chairperson elected: http://ec.europa.eu/digital-agenda/en/audiovisual-regulators.	Adoption planned for the first quarter of 2014. Adoption of the Decision in the first quarter of 2014 Adoption of the rules of procedure and election of the Chairperson during the first meeting of the Regulators Group (1st quarter 2014) 4 meetings of the Regulators Group in 2014

The industry trend in terms of services remains positive. The analysis of transposition measures to the AVMSD notified by Member States has been fully carried out. A study for the monitoring of Legal Compliance (application of acquis communautaire) has been postponed to 2015. The analysis on case by case of alignment or readiness to implement the AVMSD in candidate and potential candidate countries has been carried out; some improvements have been recorded as well as some critical areas. The application report on the share of European audiovisual services transmitted by TV channels in the EU in 2011-2012 has been delayed to 2015 due to the late information delivery by Member States. The guidance document on best practices to implement Art. 13 AVMSD on the promotion of European works on-line has been published with a small delay in order to collect extensive information. The Commission Decision establishing the European Regulators Group for Audiovisual Media Services was adopted as foreseen.
As evidenced above, the audiovisual policy policy managed by the DG is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.

Relevant general objective: Promote the access and use of ICT to the benefit of EU society.			
Specific objective: To improve web accessibility in Europe though a common approach (DAE action 64			**☐Spending programme ☒ Non-spending**
Result indicator: Public sector bodies' websites accessible according to harmonised requirements (DAE Action 64)			
Baseline	Current Situation		Target
In 2011, less than 40% of public websites were accessible.	Harmonisation of the market for web-developers (by the end 2015). There is an ongoing process of making websites accessible on the side of public sector and industry.		100% of public websites are accessible (end 2015).
Main outputs in 2014			
Description	Indicator	Current situation	Target
The adoption of the proposed Directive on the Accessibility of Public Sector Bodies' Websites: COM (2012) 721	Adoption of the proposal	The legislative process is ongoing.	Adoption end 2015
The web-accessibility Directive is currently being discussed at the Council (1st reading). After the elections, the EP appointed a new rapporteur. DG CONNECT is following the developments closely, liaises with key stakeholders in the EU institutions and civil society and provides input where requested. As evidenced above, the web-accessibility policy managed by the DG is on course to meet its multiannual objectives but the annual performance indicators (adoption of the Directive which will trigger 100% web-accessibility of public websites) however reaching the main indicator depends on the outcome of the inter-institutional legislative process which extends beyond the reporting year.			

Relevant general objective: Regulatory environment for a completed digital single market			
Specific objective: Better framework conditions (favourable policy and legal environment, standardisation, infrastructure and skills) for the development of the data value chain in Europe. http://ec.europa.eu/dgs/connect/en/content/data-value-chain-european-strategy			**☐Spending programme ☒ Non-spending**
Result indicator: Number of data-related jobs in Europe			
Baseline	Current Situation		Target
(first measurement expected in 2015)	First datasets are expected to be available in March 2015 delivered by a contract for defining and collecting		Increase the number of data-related jobs (at

	descriptive indicators measuring growth and job creation related to the data economy.	least 250.000 new data-related jobs in Europe in 2017)

Main outputs in 2014			
Description	Indicator	Current situation	Target
PSI guidelines on charging and licensing	Availability of the PSI guidelines on charging and licensing	The revised PSI Directive includes the requirement for issuing guidelines on recommended standard licences, datasets and charging for the re-use of documents. Following an on-line consultation, the Commission adopted Notice (2014/C 240/01) on 17.7.2014, providing non-binding recommendations on: the use of available open standard licences; the elements to be included in custom-made licences; the datasets to be published as a priority; the methods to make datasets more readily re-usable; the recommendations for the application of the marginal cost rule; the cost elements that can be taken into account for cost-recovery charging.	PSI guidelines adopted in 2014
Correct transposition of the revised Directive in all Member States	Member States that transpose the Directive into national legislation	Two Member States have already adopted legislation transposing the Directive 2013/37/EU.	28 Member States in 2015

Communication COM(2014) 442 final "Towards a thriving data-driven economy" was adopted on 2.7.2014. Following up on the Council Conclusions of October 2013, which recognised big data and cloud computing as strategic priorities for Europe, the Communication focuses on the digital economy, innovation and services as drivers for growth and jobs and calls for EU action to provide the right framework conditions for a single market for big data and cloud computing.

A contractual Public Private Partnership (PPP) on Data was finalised in October 2014, which will help focusing public, private and academic research efforts to support research and innovation in game-changing big data ideas in fields such as energy, manufacturing and health, as well as to deliver services like personalised medicine, food logistics and predictive analytics.

As evidenced above, the part regarding the establishment of better framework conditions for the development of the data value chain in Europe of the policy or spending programme managed by the DG is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.

Relevant general objective: Promote the access and use of ICT to the benefit of EU society.	
Specific objective: Ensure open access to scientific publications	**☐Spending programme ☒ Non-spending**

Result indicator: percentage of literature that is open access (of all scientific literature)
(source: on-going ScienceMetrix study managed by DG RTD)

Baseline	Current Situation	Target
20% (2013)	50% of all scientific papers published from 2007 to 2012; 50% of journals published in EU28, ERA + Brazil, Canada, Japan, US), Growth rate is increasing at the rate of about 9,4% per	60% (2016)

	year.	

Main outputs in 2014

Description	Indicator	Current situation	Target
Follow up on Recommendation C(2012) 401 to the Member States on access to and preservation of scientific information	Number of Member States with national policies or strategies on open access	19 Member States have Open Access mandates or policies in place or being developed; of the remaining 11 some have concrete plans in place.	28 Member States in 2014

The indicator on the number of Member States with national policies or strategies on open access is currently short of the target for the end of 2014 but momentum is gathering, with the remaining Member States becoming active.
As evidenced above, the Open Access policy managed by the DG is on course to meet its multiannual objectives for this objective.

Relevant general objective: Promote the access and use of ICT to the benefit of EU society.	
Specific objective: To use The eGovernment Action Plan (2011-2015) as a tool for innovation of Public Administrations within the Digital Single Market.	**☐Spending programme ☒ Non-spending**

Result indicator: Degree of take-up of eGovernment services – percentage of citizens and businesses using digital services and the availability of such services across borders (DAE, eGovernment Action Plan)

Source Eurostat: Individuals using the internet to interact with public authorities

Baseline	Current Situation	Target
Citizens and businesses using eGovernment (baseline 2011: 42% of citizens; 85 % of businesses).	2014: 47% citizens using eGovernment, of which 26% to send filled in forms; Enterprises: not available; ESTAT no longer measures indicator.	target for 2015: 50% of citizens to use eGovernment by 2015, with more than half returning completed forms (DAE target); 90% enterprises using eGovernment.
Availability of digital services across borders, baseline 2012: nothing operational ; all in post piloting stage	The 2014 benchmarking report should become available in March 2015	5 key cross-border public services available online by 2015

Main outputs in 2014

Description	Indicator	Current situation	Target
Mid-term evaluation of the eGovernment Action Plan	Completion of the evaluation	Mid-term evaluation completed by April 2014.	Q2 2014

Mid term evaluation of the Action plan findings: good progress in implementation especially from the EC side (23 out of 30 actions completed or on track). The Action Plan has a positive impact on the development of eGovernment at the European and Member State level. This type of Action plan can be a perfect 'mobilizer' instrument to help the European Commission and the Member States coordinating their actions. On the other hand in a rapidly changing world with very fast evolving technology, a static five years period seems too long. A system of a 'rolling' plan with a bi-yearly review and adapt cycle, would be more appropriate to keep track of change.
After several years of hardly any growth, 2014 saw a 6% increase of take up of eGovernment services by citizens, reaching 47%, of which 26% have sent filled in forms. These latest results are very encouraging and lead us to be cautiously optimistic in terms of meeting the 50% target set for 2015.
NB: In 2012, 44% of the citizens were using eGovernment, of which 22% to send filled in forms. 87% enterprises were using eGovernment. In 2013 41% of citizens were using eGovernment, of which 21% to send filled in

forms. 91% enterprises were using eGovernment.
As evidenced above, the policy initiative managed by the DG is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.

Relevant general objective: Regulatory environment for a completed digital single market			
Specific objective: Establishing effective framework conditions for competitiveness and growth through cloud software and services or measures to support entrepreneurship.		☐**Spending programme** ☒ **Non-spending**	
Result indicator: By 2020, one third of all Europe's ICT business investment in ICT R&D in the EU should come from companies created within the last two decades. (source: Horizon 2020).			
Main outputs in 2014			
Description	Indicator	Current situation	Target
Implement the European cloud computing strategy	Codes of conduct on data protection for cloud providers	The Commission facilitated a Working Group of the Cloud Select Industry Group (C-SIG) that aimed towards reaching an agreement by the end of 2014 on an industry-led voluntary Data Protection Code of Conduct applicable to Cloud Service Providers. This C-SIG Working Group is jointly chaired by DG Connect and DG Justice. The Code is a self -and co-regulatory initiative facilitated by the Commission but drafted by stakeholders and will be sent to the Article 29 Data Protection Working Party for comment and guidance on how it might be amended and improved to secure a positive opinion. The launch of the Code has been delayed due to the planning of the Article 29 Working Party. The Code is now expected to be launched, once having received a positive opinion, in the Q1 of 2015.	Launch code of conduct on data protection for cloud providers
	Model terms for service level agreements	The C-SIG Service Level Agreement (SLA) Working Group (industry group facilitated by the Commission) drafted and published the "Cloud Service Level Agreements Standardisation Guidelines" in June 2014. These Guidelines help corporate customers to compare the offers of different Cloud Service Providers and aim to improve the clarity and increase the users' understanding of SLAs for cloud services available in the market. The Group established a formal liaison with the Cloud Computing Working Group of the International Organisation for Standardisation (ISO), that is developing the International Standard ISO/IEC 19086 http://www.iso.org/iso/iso_catalogue/catalogue_tc/catalogue_tc_browse.htm?commid=601355	Proposal for cloud model contract terms and conditions of service level agreements
	Cloud computing voluntary certification	The Commission services facilitated another Working Group of the Cloud Select Industry Group that worked together with the EU Network and Information Security Agency (ENISA) and published a validated list of voluntary security certification schemes with relevance for cloud computing services in February 2014. Subsequently, in close collaboration with stakeholders and ENISA, further functionalities were developed and other certification schemes were added to the validated list. These were finalised and endorsed by the	List of certification schemes relevant for cloud computing

		Working Group in November 2014.	
Promoting software interoperability (DAE Action #25)	Soft measures to ensure the sharing of interoperability information	Two studies were finalised in 2014. 1. Model contracts for licensing interoperability informationhttp://www.cc.cec/Ares/documentInfoDetails.do?documentId=080166e5999edd6c 2. Guidelines for valuing interoperability information http://www.cc.cec/Ares/documentInfoDetails.do?documentId=080166e599ec1979	Provide internal recommendations on appropriate follow-up steps
Promoting the *StartupEurope* initiative	Number of participants in the *StartupEurope* actions	2014 has been a year full of accomplishments for the Startup Europe that has undertaken a wide range of activities to encourage entrepreneurship and improve framework conditions for tech startups in Europe. Several specific networks have been created in 2014 to reinforce the links between people, business and associations who build and scale up the startup ecosystem, namely the Web Investors Forum, the Accelerator Assembly, the Crowdfunding network, the MOOCs for web talent network and the #EUTechWriters, which is a network of European Tech journalists. New and innovative startups have been celebrated with the events Tech All Stars and Europioneers. Other projects were launched to strengthen the entrepreneur's environment: The European Digital Forum dedicated to empowering tech entrepreneurs and growing Europe's digital economy; the Startup Europe Partnership connecting top European startups to large corporates; a Media Campaign was led during 6 months to inspire entrepreneurs and provide role models in the 6 member states with the highest unemployment rate and reached an audience of 688 MEUR. 2014 was also a year of important funding opportunities for ecosystems builders as well as startups & SMEs as almost 850 MEUR were available for them.	1000
In 2014 evidences on the apps economy have been gathered, pointing out generated revenues (from €17.5 billion in 2014 to €63 billion by 2018), the concerned workforce (from 1.8 million people in 2014 rising to nearly 4.8 million by 2018) as well as bottlenecks. A dynamic visual mapping of 8 hubs have been mapped in 2014 in order to get unrivalled insight into some of the key web entrepreneurial hubs across Europe, the businesses that are located in them as well as the networks and relationships between them. As evidenced above, the part Cloud computing and StartupEurope of the policy or spending programme managed by the DG is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year			

Relevant general objective: Promote the access and use of ICT to the benefit of EU society.	
Specific objective: Through the European Innovation Partnership on Active and Healthy Ageing (EIP AHA) add, by 2020, two healthy life years to the average healthy life span of European citizens. **Additional objectives ('the triple win'):** **-Improving health status and quality of life of European citizens** **-Supporting long-term sustainability and efficiency of health and social care systems** **-Enhancing the competitiveness of EU industry.**	**☐Spending programme** **☒ Non-spending**

Result indicator:
-Increase in healthy life years (HLY) as a result of the EIP AHA Activities
Tentative indicators (for the 'triple win'):
-improvements in Quality of Life
-reduced mortality, hospitalisation and/or institutionalisation
-increased deployment of ICT services (like telecare, telemonitoring etc.)
(source: EUROSTAT / JRC - Monitoring and Assessment Framework for the EIP on Active and Healthy Ageing (MAFEIP)

Baseline	Current Situation	Target
HLY at birth in EU 27 in 2010: Men: 61.9 Women: 62.3	The latest data of EUROSTAT concerns 2010 and data according to the IPTS MAFEIP model will only start to become available from 2015 onwards.	HLY at birth in EU 27 in 2020 Women: 64.3 Men: 63.9

Main outputs in 2014

Description	Indicator	Current situation	Target
Communication or Staff Working Document on next steps - EIP AHA Action Groups achieving deliverables according to Work Plan - Enhancing industry involvement in EIP AHA - Scaling up innovation for Active and Healthy Ageing by Reference Sites (All Targets for 2014)	a) Adoption of communication b) Delivered and presented at - e-Health forum (Athens) with significant focus on the EIP AHA - third EIP Conference of Partners (Brussels) c) Increased number of Industry representatives actively participating in the Action Groups d) EIP Conference involving industry e) Publish joint scaling up strategy for Reference Sites f)Twinning workshops g) Scale up event	a) Postponed to 2015 (1) b) May 2014 (2) December 2014 c) September 2014 (3) d) September 2014 e) December 2014 f) May 2014 g) Postponed (4)	a) June 2014 b) May 2014 November 2014 c) End of year d)September 2014 e) End of year f) Q1, Q2 2014 g) May-July 2014

Discrepancies between achieved and planned value of indicators came about due to the fact that the adoption of the communication was postponed to 2015 in view of the changed policies of the new Commission as well as due to the postponement of the delivery of the impact data of the Monitoring and Assessment Framework for the European Innovation Partnership on Active and Healthy Ageing (MAFEIP) to Q1 of 2015.
(1) Results of EIP AHA to the date and initial discussion on the Silver economy were presented at the e-Health forum in Athens.
(2) The Silver economy conference was organized in September 2014 to boost the presence of the industry in the EIP AHA.
(3) EIP scaling up strategy paper was published in November 2014 for follow-up in 2015.
The implementation of EIP AHA Activities is effective and appropriate.
As evidenced above, the part EIP AHA of the policy is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.

Relevant general objective: Promote the access and use of ICT to the benefit of EU society.	
Specific objective: Through the European Innovation Partnership on Smart Cities and Communities speed up creation of a market for smart city solutions by integrating technologies across the ICT, energy and mobility sector to enable cities to outperform 20/20/20 targets while strengthening local job creation and become more responsive to the citizens' needs.	**☐Spending programme ☒ Non-spending**

Result indicator: Number of cities outperforming 20/20/20 targets.

Baseline	Milestones	Current Situation	Target
Baseline (2013) Not available, work in progress (Coordination & Support Action in WP2014/15)	Smart Cities and Communities call evaluated; 3 lighthouse projects selected CSA to start in 2015	18 cities involved in the lighthouse projects; repeatability of results will ensure that the revised climate targets will be reached in 20 cities by 2020	At least 20 cities outperforming 20/20/20 targets

Main outputs in 2014

Description	Indicator	Current situation	Target
-Operational Implementation Plan (OIP)	Publication	The OIP has been published.	March 2014
-Invitation for Commitments	Launch	360 commitments were eligible, 7 action clusters are established	Spring 2014

The work continues according to plan, no discrepancies happened. The updated climate targets need to be reflected in further planning

We have implemented the necessary corrective actions to mitigate identified risks and how this is influencing progress in the implementation of the programme toward achieving its objectives.

As evidenced above, the part EIP on Smart Cities and Communities of the programme managed by the DG is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.

Relevant general objective: Promote the access and use of ICT to the benefit of EU society.	
Specific objective: To improve health and wellbeing of EU citizens and to ensure innovation, quality and sustainability of health systems by the use of ICT and to support growth and competitiveness of the EU eHealth related industry.	**☐Spending programme ☒ Non-spending**

Result indicator: Number of Member States committed to eHealth

Baseline	Current Situation	Target
	All 28 MS + 1 observing state (NO) are participating in the (voluntary) eHealth Network (eHN). The eHN established several subgroups for addressing specific issues such as CEF, keeping up cross border services after the end of the large scale pilot EPSOS, legal matters related to cross border exchange of health data	

Main outputs in 2014

Description	Indicator	Current situation	Target
a) Green paper on mHealth b) Recommendations of the eHealth Stakeholder Group - recommendations in 2014 on interoperability, deployment of telemedicine, (eHealth) workforce skills and inequalities c) Guidelines and a roadmap on interoperability of ePrecriptions	Adoption	a) Adopted 10/4/2014 b) All reports available and published c) Presented and partially adopted at the 6th eHN meeting 18/11/2014 d) Ongoing (SANCO) A common HTA	March 2014

presented to the eHealth Network d) Sets of common indicators to measure added value and benefit of eHealth solutions e) Large scale deployment of interoperable eHealth services – draft Governance Structure for the large scale deployment of interoperable eHealth services (Connecting Europe Facility) f) Development and publication of an eHealth interoperability framework to accelerate standards adoption. g) Analysis of the international interoperability of electronic health records information and h) create a needs analysis in health IT workforce skills (within the EU-US Memorandum of Understanding)		approach embracing eHealth is covered in the multiannual workprogramme adopted by the (voluntary) HTA Network (art 15 of the Directive 2011/24) In cooperation with HTA bodies and supported by a Joint Action. e) Ongoing (SANCO) Governance structure drafted by the eHGI and discussed at the eHN meeting. To be further elaborated in within the new eHN Joint Action f) Ongoing (CONNECT/SANCO) A first proposal for the technical layer was delivered by Deloitte (study / EC ISA WP) (2013) Refinement was done by the FP7 CSA Antilope The proposal for an eHealth interoperability framework (EIF)will be finalised by the eHN JA g) The comparison of EU/USPatient summaries has been delivered. h) Ongoing, the needs analysis was postponed to March 2015	
The availability of sets of common eHealth indicators depends on the progress made within the HTA related Joint Action. The needs analysis of the health workforce IT skills has been postponed in line with the currently under revision EU/US commonly agreed Roadmap. As evidenced above, the "eHealth and Wellbeing" part of the policy or spending programme managed by the DG is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year			

1.1.2 Horizon 2020 (general objective 2)

General objective: To build a society and a world-leading economy based on knowledge and innovation across the whole Union, while contributing to sustainable development			**☒Spending programme name the related spending programme) ☐ Non-spending**
Impact indicator: The Europe 2020 R&D target (3 % of GDP) (Source: Annex I – Horizon 2020 regulation)			
Baseline (year)	Milestone		Target 2020
	2016	2017	
2.02 % (2013)	2,5 % of GDP		3% in 2020
Impact indicator: The Europe 2020 innovation headline indicator, which is a composite index, quantifying four dimensions of innovation output: patents, skills, trade in knowledge-intensive goods and services, and employment in fast-growing firms (index with reference 100 in 2010) (Source: Annex I – Horizon 2020 regulation)			
101,6 (2012)	Pending decision		Pending decision
Impact indicator: Share of researchers in the EU active population (Source: Annex I – Horizon 2020 regulation)			
1,1 % (2011, Eurostat)	1,21 %		1,33 % in 2020
The ICT sector is one of the most research-intensive sectors in the EU economy and thus a key contributor to the EU's target to reach 3% of GDP invested in R&D by 2020. Since 2010 the share of EU GDP invested in overall R&D activities has shown a constant but slow increase: in 2010 it was 1,93% and reached 2,02% in 2013. The share of researchers in the EU active population has also shown progress towards the milestone going from 1,06% in 2010 to 1,12% in 2013. While calling for sustained effort, this performance should not be decoupled by external factors such as the state of the global economy, access to finance and business confidence. Data for the Europe 2020 Innovation headline indicator covers for the moment only the years 2010 (100), 2011 (104,4) and 2012 (101,6) . However, the observation period is still relatively short and these trends need to be			

confirmed., Accordingly, milestones and targets have not been set yet, pending decision in the context of the European Semester

Specific Objectives:

Future & Emerging Technologies: Delivering excellent exploratory research

Relevant general objective: To build a society and a world-leading economy based on knowledge and innovation across the whole Union, while contributing to sustainable development.	
Specific objective: Excellent science – Future and Emerging Technologies – to foster radically new technologies by exploring novel and high-risk ideas building on scientific foundations (Source: Horizon 2020 Regulation)	**☒Spending programme ☐ Non-spending**

Result indicator: a) Publications in peer-reviewed high impact journals b) 1 patent application per € 10 million funding
(Source: Annex II – Horizon 2020 specific programme)

Baseline	Current Situation	Target (2020)
New approach	Too early to have results.	a) 50% of all FET publications are published in high impact peer reviewed journals b) 1 patent application per € 10 million funding (Source: DG RTD's framework for monitoring, evaluation and reporting on Horizon 2020)

Main outputs in 2014

Description	Indicator	Current situation	Target
Portfolio of FET research projects	a) New FET proactive initiatives launched b) Investment in FET research on High Performance computing c) Investment in FET research in other domains	a) 4 b) Call evaluation on going c) 40.2M€ (13 projects)	a) 4 b) 97,4M€ c) 35M€
Flagship stakeholder engagement	a) Number of Member States represented by partners in the Flagship projects b) Number of Member States participating in FLAG-ERA ERANET.		a) 24 (end 2014) b) 20 (2014)

One year after the start of H2020, the Future and Emerging Technologies (FET) is operating at full speed in its three facets (FET Open, FET Proactive and FET Flagships) and is fundamental in pushing the Excellence Science pillar, together with the European Research Council (ERC), the European Research Infrastructures and the Marie Sklodowska-Curie actions.
The EU strategy for High-Performance-Computing (HPC) developed in consultation with all relevant stakeholders aims to put Europe back on the HPC world map. The implementation of this strategy is supported by the contractual Public-Private Partnership (cPPP) signed between the Commission and the European Technology Platform (ETP) – the ETP4HPC. Within the FET Proactive, a first call for implementing the Strategic Research Agenda of the ETP4HPC has been launched with a budget of 97.4 M€. A total of 83 proposals were received that well address the different aspects of the call and the first set of projects retained for funding are planned to start by mid 2015.
Within the FET Proactive, a call with a budget of 35M€ enabled to launch 3 new forward looking FET Proactive initiatives in the area of Quantum simulation, Global Systems Science and of Cognition. As a result of the evaluation, 13 new projects have been retained for funding for a total budget of finally reaching 40.2M€ (availability of extra credit at year end) and will start as of early 2015.
FET Open activities have been delegated to the Research Executive Agency (REA) as of 1st of October 2014. A first

call with a budget of 80M€ is under evaluation with 643 Research and Innovation Action (RIA) proposals and 32 Coordination and Support Action (CSA) received. Projects retained for funding will start by mid 2015.
The two FP7 FET Flagship projects have completed their first year of work and Framework Partnership Agreements ensure their continuation within H2020. Graphene triggered 74 publications in peer-reviewed high impact journals and HBP 8 in year 1 and 6 patent applications.
As evidenced above, the FET part of Horizon 2020 managed by the DG is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in 2014.

EInfrastructures

Relevant general objective: To build a society and a world-leading economy based on knowledge and innovation across the whole Union, while contributing to sustainable development.		
Specific objective: Excellent science - Research infrastructures - to endow Europe with world-class research infrastructures which are accessible to all researchers in Europe and beyond and fully exploit their potential for scientific advance and innovation (Source: Horizon 2020 regulation)		**☒Spending programme ☐ Non-spending**
Result indicator: Trend of cross border Data traffic over the research networks (Source: DG CONNECT)		
Baseline	Current Situation	Target (2020)
Baseline: 42.806 Tb per month (December 2013)	43,305 Tb (04.2014) 37,720 Tb (09.2014) 42,689 Tb (12.2014)	56.200 Tb per month (04.2014)
Total bandwidth available in GÉANT (Source: DG CONNECT)		
Baseline: 3.335.053 GbpsKm (31.06.2013)	4,231,726 GbpsKm (04.2014) 2,793,523 GbpsKm (06.2014) 3,332,005 GbpsKm (09.2014) 3,400,256 GbpsKm (12.2014)	4.170.413 GbpsKm (in 2014)
Computing cycles available for open transnational access (Source: DG CONNECT)		
Last PRACE call 1273 million core hours awarded (2012)	Million core hours awarded per call: 7th call: 1264, 8th call: 1191, 9th call: 1179	12 billion core hours per PRACE Call (2020)
Result indicator: European companies' share of the HPC market (systems and software) (Source: DG CONNECT)		
4% (2009)	Data will be available for 2015 (study on-going)	20% (2020)
Result indicator: Awarded projects in PRACE (Source: DG CONNECT)		
57 awarded projects per PRACE call (Date: Source: DG CONNECT)	Awarded projects in PRACE call: 7th call 49 projects 8th call 53 projects 9th call 56 projects	150 awarded projects per PRACE Call (2020)
Result indicator: Percentage of TOP20 supercomputers located in Europe (Source: DG CONNECT)		
6/20 (2013)	6/20 (11.2014)	33% (2020)

Main outputs in 2014			
Description	Indicator	Current situation	Target
EUDAT services public roll-out http://www.eudat.eu/	EUDAT services publicly available *EINFRA-1-2014 – Managing, preserving and computing with big research data*	Services available Grant preparation on-going on time	All available end 2014
Requirements of international research organizations for the procurement of cloud	Helix Nebula Public Private Partnership (PPP) launch of procurement based on the common requirements	PPP launched Grant preparation on-going on time	End of 2014

services in the framework of the Helix Nebula initiative	*EINFRA-1-2014 – Managing, preserving and computing with big research data*		
Implementation plan for HPC strategy based on HPC Communication, combining supply (exascale), applications (Centres of Excellence addressing societal challenges) and services/infrastructure (PRACE – including services and training to academia and industry).	a) Launch and implementation of PPP on HPC in Horizon 2020 b) Launch of Study "High Performance Computing in the EU: progress on the implementation of the European HPC Strategy " *c) EINFRA-4-2014 – Pan-European High Performance Computing infrastructure and services* *d) EINFRA-6-2014 – Network of HPC Competence Centres for SMEs* *e) EINFRA-5-2015 – Centres of Excellence for computing applications*	a) PPP on HPC launched b) Study on-going on time c) Grant preparation on-going on time d) Grant preparation on-going on time e) Evaluations on-going – on time	a) – d) End of 2014 e) Beginning 2015
Establishment of a GÉANT Framework Partnership Agreement	EINFRA-8-2014 GÉANT Research and Education Networking	FPA preparation on-going – on time	End of 2014

1) Trend of cross border Data traffic over the research networks: During 2014 the Géant community of NRENs have offload a lot of commodity IP traffic to local peering which decreased traffic over Géant. End users start using services provided by cloud providers that peer locally (typically email) reducing international traffic (for reaching a peer point or in situation of mobility). The figures only integrate IP traffic and not traffic that goes at optical level through lambda which are increasingly important. LHC was stopped in 2014.
2) Total bandwidth available in GÉANT: In 2014 the Member States' difficulties in funding led to suppression of some routes/IP routers which decreased the GpbsKm capacity; this will be partly compensated with the increase of bandwidth due to new technology deployment.
3) Computing cycles available for open transnational access / Awarded projects in PRACE: The core hours provided by PRACE have not increased because there are no new systems in place in PRACE. Given that PRACE 1.0 arrives at its end, there are no new commitments for cycles for transnational access. The new PRACE 2.0 agreement between Member States (which can commit more money and cycles) should be signed in April 2015. It is therefore normal that for the moment the figures are slightly lower than the baseline.
As evidenced above, the part e-infrastructure of the policy or spending programme managed by the DG is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year
4) The study "EPIRIA" analysing the impact of Research Infrastructure activity in FP7 provides conclusions underlining the positive impact of the programme:
The Research Infrastructure Programme in FP7

- fulfilled its **primary function** of supporting the development of *networks* of research infrastructures in Europe and improving the way research infrastructures *operate, evolve and interact* with similar infrastructures and with their users – at European and global levels.
- has been very successful in increasing the value of research infrastructure as a **tool for Science**. The networking and integration of the research infrastructures helped improve the structure and cohesiveness of the European research community, enhancing European and international cooperation in research. It fostered the creation and increase of critical mass in research and generated strong spillover potential to research and education.
- has made an important contribution to increasing international collaboration in Research Infrastructure and opening up of the European RIs to the world, to the mutual benefit of the European and international research communities.

Industrial leadership

Relevant general objective: To build a society and a world-leading economy based on knowledge and innovation across the whole Union, while contributing to sustainable development.	
Specific objective: Industrial leadership – To boost Europe's industrial leadership through research, technological development, demonstration and innovation in the following enabling and industrial technology: information and communication technologies.	**☒Spending programme** **☐ Non-spending**

Result indicators:
a) Patent applications and patents awarded in the different enabling and industrial technologies
b) Share of participating firms introducing innovations new to the company or the market (covering the period of the project plus three years)
c) Number of joint public-private publications
(Source: Annex II – Horizon 2020 specific programme)

Baseline	Current Situation	Target (2020)
New approach	Too early to have results.	a) 3 patent applications per € 10 MEUR funding b) To be developed on the basis of first Horizon 2020 results c) To be developed on the basis of first Horizon 2020 results (2020, source: DG RTD's framework for monitoring, evaluation and reporting on Horizon 2020)

Main outputs in 2014
A new generation of components and systems & Factories of the Future PPP

Description	Indicator	Current situation	Target
Handling of legacy projects Organisation of calls Launch & monitoring of projects	Budget allocated for grants signed in 2014.	2014: 116 MEUR of Photonics PPP, TOLAE and FoF grants signed 2014: 10 projects for a total EU funding of 48.6 MEUR in the area of smart system integration signed 2014: 4 projects in FoF 16,4 MEUR and 15 ICT1 projects 58 MEUR	142 m€ for the Calls under the LEIT ICT Work programme 34 MEUR for the Factories of the Future Calls
Awareness raising and coverage of Horizon 2020	Industrial participation (including SME participation)	In the accepted Photonics proposals for first call (ICT-26) of H2020 54% are industrial with 26% SMEs. For TOLAE (ICT-3) it is 58% and 32% respectively. FoF: Industrial participation in selected projects amounts to 64 out of 96 beneficiaries (66%), out of which 42 were SMEs (44% of all beneficiaries). Out of 591 participants in the submitted proposals 370 were from industry (=63%) ICT1: Industrial participation in selected projects amounts to 68 out of 133 beneficiaries (51%), out of which 30 were SMEs (22% of all beneficiaries). Out of 1486 participants in the submitted proposals 789 were from industry (=53%)	At least 50% of industrial participation in Horizon 2020 calls, with 20% SMEs (2013 to 2015)
Project success stories in Organic and Large Area Electronics and Photonics	Major technology breakthroughs per year from running projects (in terms of functionality or performance, e.g.:	The SCOOP project has focused on the development of Organic Light Emitting Diode (OLED) materials and devices with high brightness and high reliability. A new best in class deep blue emitter material has been	At least 3.

	achieving world record performance in optical data transmission, sensitivity / speed of detection of diseases, etc.) (2013 to 2015)	synthesised patented and up scaled.	
Contribution to standards	% of projects contributing to standards in ICT	Figures not available. For unit A3: From the 27 projects that have ended in 2014 (all non-standardisation related CSAs included) 13 contributed to standards, which corresponds to almost 50% and thus the target is strongly exceeded.	At least 20% of projects contributing to standards(2013 - 2015)
New research and innovation capabilities	Open access pilot manufacturing lines	Call ICT 28b 2015 requests proposals for 3 separate OLAE or Photonic pilot lines	Extent to which at least 2-3 open access pilot manufacturing lines could be established by 2015
European Strategy for R&I on embedded and cyber-physical systems	Timely delivered	The work programme 2014-2015 that represents the European Strategy for R&I on embedded and cyber-physical systems was timely in place so as to facilitate a timely launch of the 2014 calls for proposals.	2014
Project success stories related to embedded systems	Project success stories	SCUBA , 2PARMA, DESTECS, EMBOCON (all blogged on Digital Agenda), GENESI (soon on FUTURIS and a blog is currently being prepared) Programme success story: TTTech (an Austrian company that has grown enormously thanks to project results from FP 7, see also blog on Digital Agenda)	Minimum 5 project success stories, 1 programme success story per year
Establishment of Networks of Europe's competence centres collaborating horizontally across application field and industrial sectors as well as vertically from HW components to applications.	Number of design centre networks	In 2014 two such networks were selected to start in 2015, namely CPSELabs (network of competence centres collaborating on Cyber Physical Systems) and EuroCPS (a network of competence centres that cover competence from HW components to applications).	Establish minimum 1 of such networks per year(2014, 2015)
Projects success stories in the field of ICT for manufacturing	Number of project success stories and programme success stories	Project success stories: FoFdation, LinkedDesign (both blogged on Digital Agenda), FFD, VISTRA, CLAM (stories about to be prepared), Programme success story: PATHFINDER (story on smart manufacturing blogged on Digital Agenda)	Minimum 5 project success stories, 1 programme success story per year
I4MS connect innovation initiative connecting innovators across value chains and stimulating the adoption of advanced ICT in manufacturing	Number of large scale projects	The 7 large scale projects launched in 2013 have mostly called for extensions by means of open calls in 2014 that have already and will soon involve 82 SMEs on the use and supply side as new beneficiaries. Thus the target has been fully met.	Extend I4MS by 3 large scale projects with > 70 SMEs on use and supply side

Strategic Research and Innovation Agenda with priorities for implementation by the ECSEL JU and commensurate with announced budgets	Strategic Annual Work Programme	The Strategic Research and Innovation Agenda of the three private members in ECSEL formed the basis for the launch of the first two ECSEL calls on 10.7, which identified 5 application trusts and 4 technology areas setting out a more detailed roadmap for each. It allowed for the launch of 12 projects for a total of some €300 Mio public funding by the EU and ECSEL Member States	Every year
Industrially-relevant R&D&I projects in the field of smart system integration	Industrial participation (including SME participation)	10 industrial driven projects were launched. 48% was industrial participation and 15% of the participants were SME	At least 45% of industrial participation in Horizon 2020 calls, with 20% SMEs (2014 to 2018)
Common industrial strategy for Europe for electronic components and systems	ELG proposes a common industrial strategy for Europe	The ELG delivered a roadmap on 14.2 and an implementation plan on 30.6, which describe concrete measures for stimulating demand and facilitating supply for electronic components and systems. The documents were well received by the industry at large	2014
	Promote smart specialisation, by holding annual meeting with the most active clusters to share best practice and coordinate activities	A meeting was held in Villach, Austria in May, which resulted in a set of policy recommendations.	1 in 2014
Joint Technology Initiative on Electronic Components and Systems	Adoption of Electronic Components and Systems for European Leadership (ECSEL) regulation and derogation	The regulation on the ECSEL JU was adopted on 6.5.2014. The same day the Commission adopted the derogation which allows the use of reimbursements by type of action and participant. The ECSEL JU became operational on 27.6.2014.	Early 2014
Favourable engineering environments for electronics in Europe	Mapping the facilities and one annual event for sharing best practices and coordination and presentation of the mapping	The mapping of centres of expertise in different areas based on FP7 and ENIAC projects was carried out. The results were presented at various conferences and meetings with stakeholders.	At least one sharing event and At least 5 mapping-presentation events in 2014
Market-pull strategy : Public Procurement Instrument	Implementation of Public Procurement Instrument (PcP)	The PCP instrument was open in the call on smart systems integration and in TOLAE. Despite several interactions with procurers and promotion of the instrument no proposals were received.	1 in 2014
Future Internet			
Description	Indicator	Current Situation	Target
Handling of legacy projects Organisation of calls Launch & monitoring of projects	Budget allocated for grants signed in 2014.	Successful organisation of the 1st call for proposals in H2020 Grant Agreement preparation and signature for the 66 selected H2020 projects (198,141 MEUR) and 4 grants	193,5 MEUR

		for the EU-JP Coordinated Call (6,090 MEUR) .	
Leadership in network technologies	Maintain competiveness by keeping the share of global market that is accessed by EU manufacturers in network equipment	43%	40%
5G PPP – projects resulting from the first call	Industry participation	N/A for 2014. First Call evaluated in Jan. 2015.	At least 55% industry participation
	Share of budget allocated to technological SMEs	N/A for 2014; first call evaluated in January 2015.	At least 15% of total budget allocated by the EC
	Number of framework strategic projects with spin off plans in the standardisation and spectrum areas	N/A for 2014, first call evaluated in January 2015.	At least one
Future Internet PPP delivering innovative services for businesses and citizens	Large scale trials (e.g. in energy, logistics, content, smart manufacturing, wellbeing, etc.)	34 trials in 17 countries and across more than a dozen industry sector prove the concept of an open, versatile, multi-vendor platforms. FIWARE is cheaper, complex services are developed faster and FIWARE give access to new functionalities for innovative apps, for business and consumers.	13
Experimental platforms for Future Internet	Average evaluation by experimenters	Experimenters using the FIRE experimental facilities to conduct their experiments for the Future Internet responded to a questionnaire including the evaluation question and awarded a score of 4.	4 (ranked from 0 to 5, 5 being the highest score on a scale of 1-5, with 0 representing the value "not applicable")
Content technologies and information management			
Description	Indicator	Current Situation	Target
Handling of legacy projects Organisation of calls Launch & monitoring of projects	Budget allocated for grants signed in 2014.	50 M€ for the "Big and Open Data Innovation" topic and 15M€ for the "Cracking the Language Barrier" have been allocated and all grant contracts have been signed	128 MEUR
Data Value chain Strategy[7] (2013): European PPP on data	The European Data Forum approves the draft Strategic Research and Innovation Agenda leading towards a	Following a broad stakeholder consultation during and after the European Data Forum (March 2014), following a positive evaluation by independent experts of the SRIA and the PPP proposal, a Contractual	A European public-private private partnership on data set up by Autumn 2014

[7] The European PPP, the strategic research and innovation agenda and the European data market monitoring tool are complemented by better framework conditions for the data value chain, as well as by a contract for the pan-European open data portal financed under CEF.

	European PPP on data (March 2014)	Arrangement (MoU) was signed and the European PPP on data was launched on 13 October 2014.	
Strategic Research and Innovation Agenda on data	Draft Strategic Research and Innovation Agenda approved by stakeholders in the European Data Forum in March 2014	The Strategic Research and Innovation Agenda has been approved by stakeholders during and following the European Data Forum (March 2014). It has also been positively evaluated by independent experts through an external assessment. The approved version of the SRIA is annexed to the signed Contractual Arrangement (MoU) of the Data PPP and will be regularly updated.	Strategic Research and Innovation Agenda on data approved by Autumn 2014
Strategic Research and Innovation Agenda on data	Draft Strategic Research and Innovation Agenda approved by stakeholders in the European Data Forum in March 2014	The Strategic Research and Innovation Agenda has been approved by stakeholders during and following the European Data Forum (March 2014). It has also been positively evaluated by independent experts through an external assessment. The approved version of the SRIA is annexed to the signed Contractual Arrangement (MoU) of the Data PPP and will be regularly updated.	Strategic Research and Innovation Agenda on data approved by Autumn 2014
European data market monitoring tool	A European data market monitoring tool is to be set up in 2014 to measure the size and trends of the European data economy	The service contract was signed and the activity is operational since 1.1.2014. As planned, all three strands of the study (datasets, stories, community building) were put in place. An agreement was reached between the Contractor and the European Commission on the methodology to be used. The work on community building is continuous. Four quantified stories were produced. First datasets are expected at the end of March 2015.	A European data market monitoring tool set up and functional in 2014 so that first measurements can be made in 2015
Creative industries: Research on new creative experience tools	Number of scientific papers and patents generated by projects funded under FP7 in 2014 and 2015, [as measured centrally by the eScience unit]	The data is not available yet.	20 scientific publications per 10 Mio €.
Robotics			
Description	Indicator	Current Situation	Target
Handling of legacy projects Organisation of calls Launch & monitoring of projects	Budget allocated for grants signed in 2014.	FP7 projects payments, amendment; experts contracts for reviews processed according to procedures and timeframes. Successful organisation of the 1st call for proposals in H2020 (requested budget: 74,58 MEUR). Grant Agreement preparation and signature for the 17 selected H2020 projects. Monitoring of projects according to procedures.	74 MEUR
Awareness raising and	Industrial	H2020 call 1 results: Innovation	At least 50% of

coverage of the Horizon 2020 work programme regarding robotics	participation (including SME participation)	Action: 17/33 partners are Private commercial entities (51,5%) . Presentation of Robotics activities in H2020 in several conferences, workshops, information days (at least 12 events).	industrial participation in Horizon 2020 innovation calls
Establishment of the Robotics PPP	See Key Performance Indicators in the contractual arrangement.	The SPARC Robotics PPP officially launched by Commissioner Neelie Kroes at AUTOMATICA 2014. The euRobotics AISBL, representing the private side of the PPP counts 208 members.	As per contractual arrangements
Communication and Awareness raising on ethical, legal and societal issues related to the deployment of robotics	Relevant events, consultations, task forces, workshops related to ELS issues (contribution to legislative processes by active participation in inter-service consultations, participating in relevant working groups and task forces, dedicated consultation workshops with robotics stakeholders and with other related constituencies, participation in conferences and other events);	The PPP includes one topic group on ELS issues. The Robotics unit launched two studies related to ELSE: one on the Employment Effects of Robotics and one eurobarometer survey on the societal attitudes towards autonomous systems. Presence of the Robotics unit at ERF (European Robotic Forum), including a session on ELS. Presentation of RRI-SSH aspects in the Robotics Information session at the proposers' days in Firenze.	
Plan for Action to tackle ethical, legal and societal issues (ELS)	Degree of development of such a plan for action.	Involvement of the unit in the working group on RRI – SSH. Planning to include specific activities addressing these aspects in WP2016-17.	
Micro and nano-electronic technologies, Photonics			
Description	Indicator	Current Situation	Target
Handling of legacy projects Organisation of calls Launch & monitoring of projects	Budget allocated for grants signed in 2014.	116 MEUR for Photonics PPP, TOLAE and Photonics FoF Calls ICT 3, 26 and 29 plus FoF 1 for Photonics and OLAE organised in 2014. 31 projects signed in 2014 starting early in 2015. In the area of smart system integration 10 projects for 48.6 MEUR EU funding launched. In ECSEL 12 project for a total of 155MEUR were selected including 6 pilot lines. The ECSEL participating states contributed 145M€. The public funding leveraged 400M€ private money.	65 MEUR
Establishment of the Photonics PPP	See Key Performance Indicators in the contractual arrangement.		As per contractual arrangements
Awareness raising about	major information	Photonics infoday on 16/01/2014 in	At least 5

the Photonics PPP	days (2013 to 2015)	Brussels, Photonics Annual General Meeting in March 2014. Events in Member States in 2013 and 2014.	
New players in the SSL value chain	Participation of new organisations in Horizon 2020 project consortia.	Of the first calls of H2020 in SSL 20% of the participants were new players.	Double the participation of new players in FP7 and in Horizon2020 projects in the period 2013-2015
Awareness and information actions addressing players beyond the lighting industry	Major EU-wide actions addressing players beyond those of the lighting industry (2013 to 2015)	CIP pilot actions on SSL finished in 2014 and had a significant impact on publicising the results of SSL implementation. The inauguration of the Sistine Chapel new LED lighting system took place on 30 October 2014 as installed by the project LED4ART. ILLUMINATE installed new installations at 7 pilot sites in cities across Europe. The CSA project SSL-erate is addressing players beyond the lighting industry and involving in particular test laboratories and new cities.	At least 3
Horizontal ICT Innovation actions			
Description	Indicators	Current Situation	Target
Organisation of calls Launch & monitoring of projects	Budget allocated for grants signed in 2014.	Call ICT 35 organised in 2014. 5 new projects signed in 2014 which will start early 2015. Open call ICT 37 launched with 3 cut off dates for Phase 1 and 2 for Phase 2 proposals. Very good response with 2569 proposals received for ODI equalling to 30% of the whole SMEs instrument, and about 130 proposals retained for funding for a total of 45MEUR. Budget consumption will equal 100% upon the award of retained proposals stemming from December 2014 Cut-off-date.	7 MEUR for Innovation and Entrepreneurship Support 45 MEUR for Open Disruptive Innovation Scheme
ODI (open disruptive innovation) open call	Collaboration with executive agency for SMEs.	Improvement needed in terms of feedback from EA about Business Intelligence wrt evaluation, monitoring and final outputs on outsourced project portfolios. Informal agreements are in place with EASME, waiting for formalised mechanisms to be established that respond to CONNECT specific requirements. Systematic exchange of information on project evaluation, monitoring and policy feedback, its content, workflow and frequency to be agreed and formalised.	Good collaboration with Executive agency and contribution to their operational readiness.
ODI (open disruptive innovation) open call	Promotion of scheme and dissemination of information regarding ODI	Publicity campaign through DAE, Participant Portal and EASME website (publication of results from cut-off-dates, press releases, news Items, ODI Dedicated FAQs, etc.), Info-days and	ODI stakeholders (proposers and evaluators) well informed and participating in

		dedicated events. An inter-service consultation exercise to align DG CONNECT's Communication campaign in terms of strategies, tools and objectives has been launched in view of improving complementarity and increase impact. NCPs and Programme correspondent well familiar with the implementation aspects of the instrument and updated on related outcomes.	the programme.

Proposals for the SME instrument received outnumbered the expected figures. Nevertheless evaluation and grant was implemented according to schedule demonstrating robust management by the Executive Agency of the outsourced SME instrument.
Project success stories in Smart System Integration and Micro Nanoelectronics related to EU-added value and results/impacts of projects were published in the newsletter addressed to 3000+ subscribers. Some were picked by classical media and were also available on social media via the A4 twitter account. Moreover, a Memo was published by the Commission on new business opportunities with electronics. a) The NEUWALK project explored how to make a paralysed rat walk again via electrical stimuli to its spinal cord. The research team announced the opening of an innovative lab at the Lausanne University Hospital. Nine partners joined their expertise to develop neuroprosthetic systems that could restore motor functions after spinal cord injury and could also relieve patients with Parkinson's disease. b) The project e-Brains has allowed the manufacturing of 3D IC heterogeneous integrated modules for electronics of a leadless pacemaker in a very small volume. It won a 2014 3D InCites Award. Manufacturing of larger quantities of 3D IC modules is ready.
We have implemented the necessary corrective actions to mitigate identified risks and how this is influencing progress in the implementation of the programme toward achieving its objectives
As evidenced above, this part of H2020 is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.

Societal challenges

Relevant general objective: To build a society and a world-leading economy based on knowledge and innovation across the whole Union, while contributing to sustainable development.	
Specific objective: Societal Challenges	**☒Spending programme** **☐ Non-spending**

Result indicators:
a) Patent applications and patents awarded in the area b) Number of Prototypes and testing activities in the area of the various societal challenges
c) Number of joint public-private publications in the area of the various societal challenges
d) Publications in peer-reviewed high impact journals in the area of the various societal challenges
(Source: Annex II – Horizon 2020 specific programme)

Baseline	Current Situation	Target (2020)
New approach	Too early to have results	a) On average, 2 patent applications per 10 MEUR funding b) To be developed on the basis of first Horizon 2020 results c) To be developed on the basis of first Horizon 2020 results d) On average, 20 publications per 10 MEUR funding (Source: DG RTD's framework for monitoring, evaluation and reporting on Horizon 2020)

Main outputs in 2014			
Description	Indicator	Current situation	Target
Self-management of health and disease: citizen engagement and mHealth	Number of research projects	14 new research projects	3-5 research projects in 2014
e-health Interoperability	Number of coordinated support actions	4 CSAs	4 CSAs
Innovation and support to deployment projects in the area of active ageing and independent living Coordination actions for JP More Years, Better Lives	a) Number of pilots b) Number of research projects c) Number of Ambient Assisted Living (AAL2) projects d) Number of coordinated support actions	a) 3 pilots in 2014 (and 1 in early 2015) b) 5 research projects in 2014 c) 20 new projects d) 2 CSAs JPI MYBL Strategic research agenda published 1 new Coordination action launched to support implementation of strategic research agenda and launch of a first joint call	a) 4-5 pilots in 2014 b) 6-8 research projects in 2014 c) - d) 2 CSAs
Discrepancies between achieved and planned value of indicators came about due to shortage of payment credits and the strict adherence to the H2020 time to contract guidelines (3+5 months) spilling the project start into early 2015. In 2014, the JPI More Years, Better Lives research agenda was published. As evidenced above, the part PHC 19, PHC 20, PHC26, PHC34, HCO1 and HCO2 of H2020 managed by the DG is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.			

Relevant general objective: To build a society and a world-leading economy based on knowledge and innovation across the whole Union, while contributing to sustainable development.			
Specific objective: Societal Challenges – Secure, clean and efficient energy		**☒Spending programme ☐ Non-spending**	
Main outputs in 2014			
Description	Indicator	Current situation	Target
Horizon 2020 projects on smart grids where ICT requirements for smart grids are defined jointly with telecoms	Number of projects	One CSA and 3 RIAs invited for GAP – to start early 2015, managed by INEA	6-9 projects launched in 2014
Energy efficiency related to apps to change consumer behaviour	Number of projects	4 RIAs invited for GAP – to start early 2015, managed by INEA	4-5 projects launched in 2014
Coordination action on data centres	Number of Coordinated Support Actions	1 CSA invited for GAP – to start early 2015, managed by EASME	1 CSA launched in 2014
Smart Cities and Communities	Number of projects, including lighthouse projects	3 RIAs invited for GAP – to start early 2015, managed by INEA; 1 CSA (CITYKEYS) invited for GAP – to start early 2015	4 Innovation actions involving at least 16 cities 1 CSA to reach consensus on data management issues in Smart Cities 1 CSA to stimulate public

			procurement of innovative applications and services for Smart Cities
As evidenced above, this part of H2020 is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators, outputs and milestones in the reporting year. No discrepancies between achieved and planned values of indicators happened. The overall performance of the implementation is effective and appropriate. We have planned for eventually necessary corrective actions to mitigate potential implementation risks, namely by establishing reserve lists for both RIA and CSA in case one or more of the invited consortia fails to come to GA-closure.			

Relevant general objective: To build a society and a world-leading economy based on knowledge and innovation across the whole Union, while contributing to sustainable development.			
Specific objective: Societal Challenge – Smart, green and integrated transport			**☒Spending programme ☐ Non-spending**
Main outputs in 2014			
Description	Indicator	Current situation	Target
Cooperative Intelligent Transport Systems (C-ITS)	International cooperation for C-ITS standardization	EU-US Implementing Arrangement on ICT research in transport extended (November 2014) iMobility Support (CSA project) contributing to globally harmonised C-ITS standardisation	At least one Coordination and Support Action
	New R&I actions on provision of real-time ITS services and mechanisms to provide seamless connectivity and interoperability for multimodal transport services, safety applications and hazard warnings.	3 RIA projects and one CSA invited for GAP – to start early 2015	At least two Research and Innovation Actions
As evidenced above, this part of H2020 is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators, outputs and milestones in the reporting year. No discrepancies between achieved and planned values of indicators happened. The overall performance of the implementation is effective and appropriate. We have planned for eventually necessary corrective actions to mitigate potential implementation risks, namely by establishing reserve lists for both RIA and CSA in case one or more of the invited consortia fails to come to GA-closure			

Relevant general objective: To build a society and a world-leading economy based on knowledge and innovation across the whole Union, while contributing to sustainable development.			
Specific objective: Societal Challenge – Climate action, environment, resource efficiency and raw materials			**☒Spending programme ☐ Non-spending**
Main outputs in 2014			
Description	Indicator	Current situation	Target
Research initiatives developing and deploying innovative ICT solutions	Number of initiatives	1 RIA invited for GAP – to start early 2015	1 research action launched in 2014
Research initiatives developing and deploying innovative ICT solutions and roadmaps addressing electronic waste	Number of initiatives	1 RIA and one CSA invited for GAP – to start early 2015	1 coordination action launched in 2014

Research initiatives developing and deploying advanced ICT solutions for water	Number of initiatives	2 RIA invited for GAP	1 new research activity launched in 2014 1 support action launched
As evidenced above, this part of H2020 is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators, outputs and milestones in the reporting year. No discrepancies between achieved and planned values of indicators happened. The overall performance of the implementation is effective and appropriate. We have planned for eventually necessary corrective actions to mitigate potential implementation risks, namely by establishing reserve lists for both RIA and CSA in case one or more of the invited consortia fails to come to GA-closure.			

Relevant general objective: To build a society and a world-leading economy based on knowledge and innovation across the whole Union, while contributing to sustainable development.			
Specific objective: Societal Challenge – Europe in a changing world - Inclusive, innovative and reflective societies			**☒Spending programme ☐ Non-spending**
Main outputs in 2014			
Description	Indicator	Current situation	Target
Organising the Societal challenge Call REFLECTIVE-7 on "Advanced 3D modelling for accessing and understanding European cultural assets"	Evaluation process		Successful completion of the selection process.
Pilot projects under Horizon 2020 Societal Challenge 6: inclusive, innovative and reflective societies implementing elements of Open Government (transparency, eParticipation, collaborative production of services, etc), including the use of emerging technologies and SME actions (for mobile eGov apps)	Number of projects launched after the evaluation process	Work Programmes for 2014 and 2015 adopted. 7 projects have been funded under the 2014 calls (5 under INSO-1 and 2 under YOUTH-b)	10-15 pilot projects launched
The work in 2014 regarding SC6 has been completed and pave the way to meet the target of 10-15 projects for 2015. Given the externalisation process undertaken in 2014, the new calls, evaluations and negotiations will be managed by the Research Executive Agency. As evidenced above, the Societal Challenge part 6 of H2020 managed by the DG is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.			

Relevant general objective: To build a society and a world-leading economy based on knowledge and innovation across the whole Union, while contributing to sustainable development.			
Specific objective: Societal Challenge – Secure societies - Protecting freedom and security of Europe and its citizens			**☒Spending programme ☐ Non-spending**
Main outputs in 2014			
Description	Indicator	Current situation	Target
Cybersecurity strategy implementation in relation to R&D	Number of new projects	The first call in industrial leadership in ICT security has retained 8 projects worth 38 Mio EUR in the area of security-by-design and cryptography. The first call on Digital Security in Societal Challenge 7 Secure Societies has retained for 47 Mio EUR proposals in the area of Privacy, Access Control,	30 projects/year (2014-2020) Selection of 15 new projects/year (2014-2020)

		and Risk management and assurance models.	
ICT security certified products	ICT security certification	On 6.10.2014 ENISA together with the DG organised a workshop aiming at bringing together stakeholders from the ICT security certification eco system with the SOG-IS MRA experts and investigating challenges for certification.	50% of all ICT products should have ICT-security certification (2020)
This implies identifying specific strategic technological challenges for the future and support the capacity building to meet these challenges, via innovation, R&D and standardisation. Work is on-going in the NIS Platform. WG3 has completed its state-of-the-art analysis of secure ICT. A first draft of the Strategic Research Agenda for cybersecurity in Europe was delivered in December 2014 and the final version should be ready in Q1 2015. A focus on Digital Security is proposed under the H2020 Strategic Programming WP2016-17. The EC has presented the orientations of WP2016-17 to the Secure Societies Programme Committee early November. This is closely coordinated with the LEIT-ICT orientations, where security and privacy issues will be notably covered in IoT, big data, and cloud computing.			

1.1.3 Connecting Europe Facility (general objective 3)

The Connecting Europe Facility (CEF) will contribute to European growth and competitiveness and enhance the digital single market. It will facilitate the cross border interaction between European public administrations, businesses and citizens and stimulate the deployment and modernisation of high speed internet networks in line with the Digital Agenda. By supporting the deployment of concrete trans-European infrastructures based upon mature technical and organisational solutions, CEF is expected to foster the deployment of networks and stimulate exchanges and collaboration with (and within) the public sector, across the EU.

General objective: Contributing to smart, sustainable and inclusive growth, in line with the Europe 2020 Strategy, by developing modern and high-performing trans-European networks which take into account expected future traffic flows, thus benefiting the entire Union in terms of improving competitiveness on the global market and economic, social and territorial cohesion in the internal market and creating an environment more conducive to private, public or public-private investment through a combination of financial instruments and Union direct support where projects could benefit from such a combination of instruments and by appropriately exploiting synergies across the sectors (Source: CEF regulation – Art. 3 a)		**☒Spending programme ☐ Non-spending**
Impact indicator: Volume of private investment in fast and ultra-fast broadband internet (Source: CEF Programme Statement DB2014)		
Baseline (year)	Milestone	Target
	2017	2020
0 in 2013	949 MEUR	1148 MEUR[8]
Impact indicator: Volume of public and private investment in projects of common interest for fast and ultra-fast		

[8] This assumes limited CEF broadband funds leveraging private and (other) public investment by a factor of 7.

broadband internet funded by CEF, cumulative. (Source: CEF Programme Statement DB2014)		
	949 MEUR (2017)	1148 MEUR (2020) (i.e. forecast for what can be achieved with CEF)
The first deal under the Project Bond initiative (a pilot for CEF) used 13 MEUR from the budget and made it possible to fund a bond worth 189 MEUR. A leverage factor of 14.5x was therefore reached. An evaluation about the best way to use the CEF broadband money was completed in December 2014. As evidenced above, the CEF spending programme managed by the DG is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.		

Specific Objectives:

Financing high speed broadband roll-out

Relevant general objective: Contributing to smart, sustainable and inclusive growth, in line with the Europe 2020 Strategy, by developing modern and high-performing trans-European networks.			
Specific objective: Accelerating the deployment of fast and ultrafast broadband networks and their uptake, including by small and medium sized enterprises (SMEs) **(Source: CEF Programme Statement DB2014)**			**☒Spending programme** **☐ Non-spending**
Result indicator: Level of fast broadband coverage (30 Mbs) (Source: CEF Programme Statement DB2015)			
Baseline	Milestones	Current Situation	Target (2020)
Ca. 50% of households (2013)	75% (2017)	62%	100% (2020)
Result indicator: Level of subscription to broadband connections above 100 Mbs (Source: CEF Programme Statement DB2014)			
<1% (2010)	20% (2017)	2%	50% (2020)

Main outputs in 2014			
Description	Indicator	Current situation	Target
Set up of funding platforms with the EIB and initiate expenditure process	Established financing platforms	Delegation Agreement to be signed in February 2015	Delegation Agreement signed with the EIB on financing platforms and instruments to be used
	Established PBI platform	First project bond signed and budget spent	20m EUR in project bond issuing
Progress towards the achievement has continued in 2014, with an increase of 8 percentage points in NGA coverage on year-on-year basis, though the take up target of 100 Mbps is still at the early stages. However, the investment outlook looks definitely stronger than one year ago and CAPEX figures are on the rise. On CEF, we have signed the first project bond ever in the telecommunication sector with a French wholesale operator. DG CONNECT reached an agreement with the EIB about the debt platform to be funded. As evidenced above, the part of CEF spending programme managed by the DG is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.			

Digital service infrastructures developed and deployed across Europe

Relevant general objective: Contributing to smart, sustainable and inclusive growth, in line with the Europe 2020 Strategy, by developing modern and high-performing trans-European networks.			
Specific objective: Promoting the interconnection and interoperability of national public services online as well as access to such networks. (Source: CEF Programme Statement DB2014)			**☒Spending programme ☐ Non-spending**
Result indicator: Citizens and businesses using public services on-line (As measured: citizens and businesses using eGovernment services) (Source: CEF Programme Statement DB2014)			
Baseline	Milestones	Current Situation	Target (2020)
41,2% of citizens 75,7% of businesses (2010)	50% of citizens 85% of businesses (2017)	87,7% of businesses [Year: 2013; Source: Digital agenda Scoreboard][1] 46,7% of citizens [Year: 2014; Source: Digital agenda Scoreboard[2]	60% of citizens 100% of businesses (2020)
Result indicator: Availability of cross-border public services (Source: CEF Programme Statement DB2014)			
Baseline	Milestones	Current Situation	Target (2020)
	80% in 2017	46,6% [2014; Source EC Internal services	100%
Baseline 0 (2012)		The 2014 benchmarking report is not yet published. Tentative date is March 2015.	Target >6 (2020)
Main outputs in 2014			
Description	Indicator	Current situation	Target
The first series of CEF DSI core service platforms are operational for the provision of cross border servicers in the following areas: eID, eDelivery and eInvoicing	Number of CEF DSIs launched for eGovernment cross border services	2014 and 2015 Work programmes adopted. Three DSIs launched in the following areas: eDelivery, eSIgnature/eID and eInvoicing	2014: Adoption of the 1st CEF work programme (WP2014), with the aim to deploy 3 core service platforms in the eGovernment domain (eID/eSignature, eDelivery, eInvoicing) 2015: Adoption of the 2nd CEF work programme (WP2015), with the aim to deploy 3 additional core service platforms and to launch 'generic services' to encourage Member States to promote the take up of the CEF DSIs. 2020: by the end of the programme all eGov DSI core platforms deployed; critical mass in terms of take up achieved.

[1] Enterprises interacting online with public authorities

[2] Individuals interacting online with public authorities

Europeana platform	Number of innovative added-value products or services based on Europeana content.	There are two APIs for use. The first is a REST-API suited for dynamic search and retrieval of data, offering the same data as the Europeana Portal for end-users. The second API supports download of complete datasets and advanced semantic search and retrieval of data. API Implementation (39), Hackathon Prototype (39).	Target: From 30 by end 2013 to 50 services using the Europeana API and/or based on the results of CIP projects by end 2014.
Pilot version of the pan-European open data portal available online	Successful and stable core platform of the beta open data portal, as measured by the volume of data accessible through European data infrastructure and the number of visitors	The pilot pan-European data portal showed an increase of the number of referenced datasets (47864 sets from 28 different national and regional open data catalogues). It received a total of around 70.000 visits in 2014 (an increase of 64% compared to 2013).	Finalisation of the contract for the pan-European open data portal under CEF by end 2014
Contract for the pan-European open data portal	Finalisation of the contract for the pan-European open data portal under CEF	A three years contract was signed on 19.12.2014,	Contract finalised by end 2014
Safer Internet platform	Number of Safer Internet Centres (SICs) established and maintained in the MS/EEA and priority countries for promoting safer use on the internet by children.	in 2014 SICs in 27 MS+NO, IS, SR and RU.	In 2014, to maintain coverage of SICs (generic services) in MS
Safer Internet Day (SID)	Number of countries taking part in Safer Internet Day; Number of children and young people reached by SID campaigns.	In 2014, 107 countries organised SID events reaching 52,2 million people worldwide.	In 2014, to maintain coverage of countries celebrating SID. In 2014, to maintain number of people reached by the SID campaign.

By supporting the deployment of this concrete trans-European infrastructures, CEF is expected to foster the deployment of networks and stimulate exchanges and collaboration with (and within) the public sector, across the EU. The infrastructure is based upon mature technical and organisational solutions.

In 2014 we have started the implementation of the building blocks supporting the entire digital service infrastructure. In particular, the deployment/operation of the core service platforms for Europeana, Safer Internet for Children, eID/eSignature, eDelivery, eInvoicing, Open Data, Automated Translation and Cyber Security as well as the generic services associated with Safer Internet and eId. In 2015 it is planned to extend further and finance the deployment/operation of the digital infrastructure for the eHealth, OnlineDispute Resolution, and eProcurement beyond supporting the Generic Services for the building blocks deployed in 2014. In 2016 we expect to continue the deployment/operation of other DSI services as listed in Regulation 259/2014 which meet the eligibility criteria.

DG CNECT is responsible for the negotiation and coordination with Member States and other actors in defining and agreeing such Digital Service Infrastructures whereas DG DIGIT is responsible for the implementation (operations) of the Digital Services Infrastructures.

We have implemented the necessary corrective actions to mitigate identified risks and how this is influencing progress in the implementation of the programme toward achieving its objectives
As evidenced above, this part of the policy or spending programme managed by the DG is on course to meet its

multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.

1.1 4 Policy support and coordination

The horizontal Activity "Policy strategy and co-ordination" covers both the definition of the strategic and cross sectorial policy orientation of the Directorate-General and the activities which support its implementation. At the policy level, this Activity provides the overall vision and orientation for the general undertakings of the Directorate-General as well as the political visibility for ICT policy issues in the context of the pursuit of the Europe 2020 strategy. It assures the coherence and synergies of the Digital Agenda for Europe and provides overall coordination for its implementation by putting in place an effective External communication and Stakeholders engagement strategy as well as Dialogue with other Institutions and Member States.

The main outputs of the main policy support and coordination activities are presented below:

Specific objective: To successfully promote and safeguard EU policy in the follow up to the World radio conference on International Telecommunications (WCIT), and other multilateral fora dealing with eCommunication and ICT issues (IGF, ICANN, ITU). To promote the EU position on Internet governance globally along with the COMPACT principles, as well as manage DotEU enabling the ccTLD to grow further
The objective has been achieved. In 2014, a Communication on internet policy and governance, and the GIPO feasibility study have been published, and the subsequent Global Internet Platform Observatory (GIPO) contract signed. The implementation of GIPO has just started. The new .eu contract was also signed. The interest of likeminded countries has been good but of course participation will have to be confirmed during the implementation stage. Despite that the proposals for an enhanced status for the EU in ITU is still pending in the Council, the Commission could actively participate and coordinate MS at the ITU-PP. Objectives at the Netmundial (IG summit in Brazil) was fulfilled. As evidenced above, the part of the policy or spending programme managed by the DG is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year

Specific objective: Timely and effective coordination of actions, governance, monitoring and evaluation of Digital Agenda for Europe contributing to the Europe 2020 strategy.
In May 2015, the Commission will present its strategy for a European DSM (Digital Single Market) and prepare corresponding measures. This will introduce a coherent package of high-impact initiatives to address the remaining barriers for consumers and businesses to be able to exercise their online activities seamlessly across borders in the EU. DG CONNECT and DG MARKT set up a preparatory Task Force to analyse the state of policy development in the DSM and identify obstacles for businesses and consumers restraining digital services use and deployment in the EU. The activities included charting new sources of growth through a variety of coordination and information seeking activities. The Task Force produced a scoping paper which outlines a number of topics that should be addressed in the DSM strategy, while assisting in defining commission digital policy, coordination, implementation and next steps for a European DSM. A study on "Crowdsourcing on what are the new sources of ICT-enabled growth and jobs to take into consideration in the follow-up to the Digital Agenda for Europe" was completed. The Digital Agenda for Europe (DAE) has delivered results which will contribute to the digital economy development in Europe. Since the launch of the DAE, the digitalization of the continent has made a leap forward. Basic broadband is now available all over Europe, more than two thirds of citizens use the internet on a regular basis and almost half of the EU's population buy goods and services online. However, in other areas the goals of the Digital Agenda are likely to be missed. Cross-border e-commerce amongst SMEs is poorly developed, e-

government is developing only slowly and public investment in ICT R&D is stagnating.
The DAE has also been a breeding ground and launch pad for major new (regulatory) initiatives that will impact positively on the digital economy, e.g. Telecoms Single Market (TSM) proposal. The DAE has influenced policy making, steering Member State policy and even third countries. As of October 2014 more than 20 Member States have launched national Digital Agenda programmes. However, the evidence is clear - with only 14% of SMEs using the Internet to sell online and only 12% of consumers shopping online across borders, we do not yet have a Digital Single Market in Europe. A fully functioning DSM could contribute as much as 2,6 % of EU GDP growth per year in the long run, equivalent to €340 billion.
The completed study for new sources of growth come under 4 main themes: 1) Challenge Design, 2) Where to best implement Open Innovation Challenges for the European Commission, 3) Developing an organisational culture of openness towards crowdsourcing, and 4) Building of a Solver Community that can provide solutions for the Challenges presented.
The part [DSM, DAE] of the policy managed by the DG is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.

Specific objective: Coordinating and carrying out evaluation activities relevant to the DG's objectives and making proposals for strategic orientations of the DG's evaluation policy.

The results of the "Evaluation of the pertinence and impact of the EU support actions to research infrastructures in the 7th Framework Programme" has been considered within the framework of the consultations for drafting the WP 2016-2017 of Horizon 2020.
The Final Programme Evaluation of the Safer Internet programme (2009-2013) was conducted in 2014. The findings concluded that the Programme has generated good impacts, mainly in raising awareness, fighting illegal content and by enhancing cooperation and creating synergies. In 2013 more than 15 million people across (and beyond) Europe were reached by the awareness raising, in addition to the thousands of events, training activities and school visits that were conducted. The second strong area of impact was achieved in the fight against illegal content, and specifically the work of the hotlines. Over the programme period, an increasing number of reports received through the hotlines were recorded. In 2013, INHOPE Hotlines processed over 200,000 reports of potentially illegal content and there has been an increase in sites deleted and more timely removal of CSAM. In 2011, 60% of the reported content was removed within 1 to 3 days compared to 80% in 2013. The findings further show that the Programme has been influential in relation to other national and international activities and is often considered good practice internationally. As an illustration, the Safer Internet Day, which stems from the Programme, is an international yearly event to raise awareness of child online safety. It is organised annually in more than 100 countries and recognised across Europe, North America, South America and the Asia-Pacific region. Finally, the evaluation concluded that EU intervention had been both necessary and effective in the delivery of results and in creating leverage. The actions of the Programme were largely recognised as being 'good value for money" by project participants and stakeholders.
The "Report on the implementation of the Commission Recommendation on the implementation of privacy and data protection principles in applications supported by radio-frequency identification" was published on the website.
The result of the "Ex-post evaluation of FP7 ICT" feeds into the overall evaluation of FP7 led by DG RTD (autumn 2015) and will be followed up/ taken into account for the interim evaluation of H2020. See description above
The study for the mid-term evaluation of the eGovernment Action Plan 2011-2015 implementation will be available in the first half of 2015.
Most of the scheduled evaluations were carried out as planned or suffered from small delays. Where evaluations were not carried out as foreseen, the reasons were described above. The results of the evaluations were brought to the attention of management and the findings and recommendations taken into account in subsequent policy actions or programmes.
As outlined above, the evaluation function managed by the DG is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.

Specific objective: Coordination of standardisation activities in DG CONNECT

The Multi Stakeholder Platform MSP is now well established and recognised within the community. The meetings are taking place every 3 months. The Rolling Plan identifying standardisation in support of EC policies was in 2014 in the second edition, which will be published in February 2015. More technical specifications were identified due to the support of the unit DG GROW H3. Plans for 2015 also indicates that the number of Technical Specifications

(TS) identified could be exceeded, but the workload need to be balanced. Further visits promoting the MSP should be scheduled in 2015.
All indicators set in the Management Plan were achieved and some even exceeded due to additional effort from DG Grow H3. The acknowledgement of the MSP could be further improved outside Europe through targeted visits towards the US, India, China and international standardisation organisations.
The part of the policy managed by the DG is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.

Specific objective: Innovation environment for ICT – ICT Innovation vouchers & Pilot for co–investments by business angels in innovative ICT firms

DG CONNECT provided welcomed policy support to European regional actors for the development of ICT innovation voucher schemes. A promising foundation for scaling up of the mechanism through the European Structural and investment Funds has been established through the inclusion of innovation voucher schemes in the Operational Programmes.
The pilot for co–investments by business angels in innovative ICT firms will be included as a specific part of the H2020 access to finance instrument (InnovFin IFE) for which negotiations are being finalised.
The High Level Group on Open European Innovation Systems together with the Open Innovation 2.0 work is resulting in major outcomes for 2015 where OI2 is to be scaled up in DG CONNECT activities and in regional innovation systems as well as to be integrated in WP 2016-17.
The part of the policy managed by the DG is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.

Specific objective: Horizon 2020 coordination & work programmes

DG CONNECT supported projects in the ICT domain spanning from advanced research to uncover radically new technological possibilities, to innovation activities on generic through application-driven research and innovation leveraging ICT to tackle societal challenges. The common denominator of these projects is the strong emphasis that has been put during the selection in their expected impact and their innovation component.
Member States have been informed on time about the results of the call evaluations through the Programme Committees. Informative events for potential applicants have been held throughout the year and the EU territory. Also, National Contact Points have been trained on the content of the Work Programme to amplify EC support to participants.
In 2014 the preparatory work for the Work Programme 2016-17 has started, involving both external stakeholders (from the consultation to the Advisory Groups, to dialogues with Member States and third countries), and DGs.
Within DG CONNECT, the Work Programme Correspondents Group gathers representatives of DG CONNECT horizontal and research units and discusses common issues concerning Horizon 2020 Work Programmes. In 2014 it ensured direct information flow to approximately 60 colleagues for each of the 6 meetings held. As regards inter- and intra-institutional coordination In the context of the discussions for the strategic programming and orientations of the next Work Programme, DG CONNECT has proposed to work across programme part in the fields of Internet of Things, security and big data in addition to our participation to several SC. DG CONNECT ensured coordination of ICT presence in Societal Challenges and with stakeholders via eg CONNECT Advisory Forum (CAF) ICT European Technology Platforms (ETPs). As regards, ICT related Work Programmes, DG CONNECT coordinated with internal and external stakeholders for the preparation/revision of Horizon 2020 Work Programmes. Further, most of the call evaluations entirely managed by DG CONNECT have been monitored and the recommendations have fed into an analysis of the lessons learnt and have also been presented to the relevant Programme Committees. Various actions were taken in relation to the coordination between European Commission and Member States and as regards international cooperation.
The coordination and work programmes of Horizon 2020 managed by the DG is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year

Relevant general objective: Horizontal Activity	
Specific objective: Coordination of CEF related Work Programmes	**☐Spending programme** **☐ Non-spending**
Efficient coordination with relevant internal stakeholders for the preparation of the CEF Telecom Services Work	

Programme was ensured. The CEF Telecom expert group met several times to discuss the orientations of the Work Programmes 2014 and 2015 and the IT governance of the DSI. After each meeting the delegates sent comments and recommendations to which the EC replied. The secretariat for the CEF Programme Committee and Expert Group was organised. The CEF Telecom Work Programme 2014, following a positive opinion by the Programme Committee was adopted on 31.3, and amended in December 2014 to take into account changes in the financial instruments.

The Work Programme 2015 was adopted on 18.12.2014, following a positive opinion of the Programme Committee.

In 2014, the Commission has launched the first calls for the implementation of the CEF Telecom Programme (Guidelines adopted in March 2014). The results of these calls will be a fully interoperable Digital Service Infrastructure responding to the needs as highlighted in the CEF regulation. Europe needs to facilitate the cross border interaction between European public administrations, businesses and citizens in order to support the profound transformation affecting our economies and societies with the internet becoming the dominant platform for communication, for participation in social and political life, as well as for business or education.

In 2014 the implementation of the building blocks supporting the entire digital service infrastructure started. By supporting the deployment of this concrete trans-European infrastructures, CEF is expected to foster the deployment of networks and stimulate exchanges and collaboration with (and within) the public sector, across the EU. The infrastructure is based upon mature technical and organisational solutions.

This part of the policy or spending programme managed by the DG is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting years.

Relevant general objective: Horizontal Activity			
Specific objective: To support the Directorate General, a number of business processes are based on free knowledge sharing and aim to strengthen the collaboration and communication culture within the DG, notably through the usage of the internal online collaboration platform, CONNECTED.			**☐Spending programme** **☐ Non-spending**
Description	Indicator	Current Situation	Target
Deepening the usage of Connected	Number of Cross-DG Use Cases, and adoption rate	10 major use cases deployed across the DG	8 major use cases, including 2 cross-DG
Widening the usage of Connected	Number of participating users	71,2% participating users	70% of participating users in DG CONNECT
Responding to user feedback with targeted redesign initiatives	Completed actions to address top 5 user blockages (better information architecture, streamlining briefing preparation, mobile access, activity streams, improved search)	All actions completed	Address all user issues in 2014

The key milestone in 2014 was a major upgrade of the platform and its information architecture. This was followed by the introduction of a number of new use cases.

- Collaborative preparation of the Next College briefing
- Mission reporting via Connected
- Advance consultation of MT notes on Connected
- Discontinuation of the mandatory use of Connected for briefings

Restructuring of the priority spaces to align with the Juncker project teams. In 2014, there were at least 10 major cross-DG use cases in place (counting 2 for general briefings [made optional in 2014] and the [secret and mandatory] briefing process for the next college). In addition, there numerous use-cases that were more local, focused, or topic specific. The main knowledge sharing objectives of the DG's knowledge sharing programme were fully met in 2014.

As evidenced above, the part on knowledge sharing of the policy or spending programme managed by the DG is

on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.

Relevant general objective: Horizontal Activity	
Specific objective: To launch and manage platforms (e.g. Corporate Social Responsibility - CSR) and multi-stakeholder initiatives such as Women in ICT, Digital Champions, Young advisors in Support of DG CONNECT and the Commissioner in achieving the objectives of the Digital Agenda for Europe	**☐Spending programme** **☐ Non-spending**
CSR ICT4Society platform is up and running since summer 2014. 5 meetings of Young Advisors, Digital Champions and CodeWeek ambassadors held. Digital Champions actively involved in TSM, Going Local, CodeWeek; Young Advisors organised Code Week in October 2014. The achievements are in line with the planned objectives and all the sub-objectives have been achieved.	

1.2 Example of EU-added value and results/impacts of projects or programme financed

The Flagships: Graphene and the Human Brain Project

European Added Value of EU FET Flagship initiatives:

With Flagships, the Commission has established a new partnering model for long-term pan-European co-operative research in the European Research Area (ERA), integrating research efforts of Member States, regions and private industry. Flagships address long-term, very large scale research challenges such as understanding the human brain or exploiting the potential of Graphene, the newly discovered revolutionary material. They bring together the most excellent research teams in Europe, sharing a unifying goal and an ambitious research roadmap, in a long-term, stable collaboration framework. They create synergies and critical mass to address challenging research areas of great economic and social importance. Flagships are designed to bridge the gap between fundamental research and innovation, creating European industrial exploitation opportunities from state-of-art research.

Flagships are a new partnering approach to address grand scientific challenges and to boost innovation in Europe. The two current flagships, Graphene and the Human Brain Project (HBP), were launched in October 2013 under FP7. Each of them is a 10-years, 1 billion Euros research initiative, involving hundreds of researchers in different disciplines who are working together to implement a common research roadmap. *They* have the potential to revolutionise science, boost industry and improve peoples' lives with new products and medical treatments. Flagships require research investments both from Horizon 2020 and from the Member States.

During this first year, the two flagships have put Europe back in the world map as a leader in graphene and brain-related research, making Europe a pole of attraction for international cooperation.

The **GRAPHENE** (www.graphene-flagship.eu) The Graphene flagship is bringing together more than 140 partners from 23 countries.

In one year, the flagship has produced more than 100 publications in major scientific journals (including a special dedicated issue from Nature), more than 5 patent applications, and many demonstrators and prototypes. Many European companies are now joining the flagship's effort to take graphene and related materials from the lab to the market.

To mention a few highlights, Graphene researchers have developed an ingenious and cheap method to fabricate high-quality graphene by separating graphene flakes in a rotating liquid, much like in a kitchen blender; they have also signed a licence agreement with a UK-based chemical manufacturer to scale up production and to make the material available to industry globally. The project has furthermore

developed a graphene-based rechargeable battery with an energy-efficiency increase of 25%; flexible electronic displays with conductive graphene electrodes; and the world's fastest CMOS-based infrared photo-detectors, enhanced with graphene, at 50 gigabits per second, 20% faster than before. The later could revolutionise optics and optoelectronics and used for faster transmission in optical fibres.

For more details on the first year scientific and technological achievements of Graphene, please see http://graphene-flagship.eu/?news=the-graphene-flagship-one-year-on. The flagship has also set up a semi-permanent exhibition for the public in a science museum of Goteborg that will travel to other European cities.

The **Human Brain Project** (www.humanbrainproject.eu) flagship is bringing together more than 112 partners from 24 countries.

In its first year the flagship has made significant progress on all fronts; these were reported at the project's annual summit (Heidelberg, end September 2014) that brought together more than 300 researchers. The project has published more than 50 papers in major scientific journals. HBP plans deliver the 6 ICT platforms that it is developing (neuro-informatics, medical, neuro-robotics, neuro-morphic, brain-simulation and supercomputing) for internal use in spring 2015.

Specific highlights are: In neuroscience, the European Institute for Theoretical Neuroscience was inaugurated in Paris last March; HBP researchers released the highest resolution 3D map of the human brain that exists. In medicine, HBP has defined a new way to categorise patient brain data for better identification of brain diseases and attracted the interest of 18 hospitals all over Europe to join HBP's medical platform. In computing, the project has implemented data mining algorithms in brain-inspired hardware, and developed a "virtual" room to test brain models in robots; the project has now three computer suppliers working on the specifications for the next peta-scale HBP supercomputer.

For more details on HBP's first year scientific and technological achievements, please see https://www.humanbrainproject.eu/documents/10180/538356/HBP+Summit+Showcases+Successes+of+Year+One/b6d61bc7-1bcd-4203-b33c-5cc8c4f303d6?version=1.0. The flagship has also launched a Museum and Educational programme and held its first ethics and society stakeholders forum with specialists on medical informatics, law, ethics and social sciences.

1.3 Economy and efficiency of spending and non-spending activities.

According to the financial regulation (art 30), the principle of economy required that the resources used by the institution in the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and the best price. The principle of efficiency concerns the best relationship between resources employed and results achieved.

The respect of these principles is continuously pursued through the implementation of internal procedures and predefined practices. These procedures ensure that activities are executed in an efficient manner (e.g. the different workflows contribute to the efficient cooperation between staff, units, etc…) and according to the principle of economy (e.g. the procurement rules ensure procurement in optimal conditions).

DG Connect is continuously fine-tuning its internal arrangements in order to improve the efficiency and economy of its operations. The following initiatives show how these principles are implemented in our DG.

1.3.1 Creation of Assistants' Competence Centres

The creation of Assistants' Competence Centres in Directorate A of DG CONNECT involved initially all the AST secretaries through a quality circle approach. The group reflected on how to pool resources and be

able to manage peaks of work. This led to a set of hints and best practices in areas like planning, organisation, workload balance, priority setting, communication, collaboration modalities, feedback and recognition of work, use of tools. The group reconvene periodically to assess the progress and situation and take new actions if necessary. Subsequently, Directorate A conducted a similar initiative with AST gestionnaires staff, which led into some pooling of the treatment of financial files belonging to a different unit through the use of existing (ad-hoc modified) IT tools. For the time being this has been tested only for legacy projects (FP7, CIP) and not yet for the H2020 programme, due to the fact that new H2020 IT tools are still being gradually deployed. DG CONNECT pioneered working more efficiently with AST and was therefore awarded the Equal Opportunities and Diversity award by Vice-Presidet Neelie Kroes

1.3.2 Optimisation of the research and innovation programme activities

Optimisation of the research and innovation programme activities (both execution and policy wise). One goal of DG CONNECT (Directorate A) in 2013-2014 has been to seek ways to help our industrial and market oriented research, development and innovation projects to better create real impact in terms of new technology based products and services, improving industrial competitiveness and creating high value employment. Measures have been studied by a dedicated working group of project officers under the lead of the Director, and subsequently validated involving the whole Directorate. The resulted is a concrete set of guiding principles for helping effective research and innovation projects to better develop the potential to commercially exploit research results and gain a stronger position in the market. Principles address all the traditional R&I phases: work programme preparation, proposals evaluation, grant preparation, monitoring of the project, economic impact assessment, and now constitute guidance for PO and consortia of H2020 Components and Systems projects. A similar exercise targeted the assessment of the participation of SMEs in our programme, and recommended several improvements.

2. MANAGEMENT OF RESOURCES

Assurance is an objective examination of evidence for the purpose of providing an assessment of the effectiveness of risk management, control and governance processes. This examination is carried out by management, who monitors the functioning of the internal control systems on a continuous basis, and by internal and external auditors. Its results are explicitly documented and reported to the Director-General.

The reports produced are:

- The reports submitted by the Directors, which include the outcome of the internal control monitoring taking place in each Directorate;
- The reports from Authorising Officers in other Directorates-General 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 Directorate-General level;
- The annual report on the ex-post audit function;
- The opinion of and observations from the Internal Audit Capability (IAC);
- The observations and recommendations reported by the Internal Audit Service (IAS);
- The observations and recommendations reported by the European Court of Auditors (ECA).

This section reports the control results and other relevant elements that support managements' assurance on the achievement of the internal control objectives[9]. It is structured in three separate sections: (1) the DG's assessment of its own activities for the management of its resources; (2) the assessment of the activities carried out by other entities to which the DG has entrusted budget implementation tasks; and (3) the assessment of the results of internal and external audits, including the implementation of audit recommendations.

2.1 Management of human and financial resources by DG CONNECT

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives. Annex 5 outlines the main risks together with the control processes aimed at mitigating them and the indicators used to measure the performance of the control systems. Annex 4 provides the control objectives and materiality criteria that are used in the AAR, in particular for FP7 and CIP-ICT PSP. For both programmes, the methodology to calculate the error rates is also defined.

[9] 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).

DG CONNECT has set up internal control processes aimed at ensuring the adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments concerned. The main control objective is to ensure that the residual error rate does not exceed a cumulative level of 2% by the end of the programmes' implementation. Although the main indicator based on which the legality and the regularity of the transactions is evaluated remains to be the residual error rate, there are several other aspects that should be examined when assessing the management of the human and financial resources of the DG.

Shortage of payment appropriations

In 2014, DG CONNECT experienced a shortage of payment appropriations in the 2nd semester 2014 that led to the suspension of a significant number of payments to FP7/CIP projects. As a consequence, interests for late payments 2014 have been due for a total of 297.531,43 EUR; further payments will follow in 2015. Legally speaking, the Commission was in breach of the grant agreements concerned, being unable to respond to the legal and legitimate expectations of the grant beneficiaries.

For the DG, the shortage of payment appropriations in the second semester affected the H2020 programme implementation with more long-lasting consequences, which relate to the DG-wide contingency measures taken in this context, that is, the reduction of pre-financing for the 2014 calls (Factories of the Future and ICT) leading to an increase in number of reporting periods in most projects launched in 2014. These imply an additional workload over the project lifetime and the processing of additional payment requests.

For 2015, for Horizon 2020, the budgetary situation for payment appropriations has improved following the reinforcement that took place at the end of 2014, and the 2015 budget adopted by the Budgetary Authority. In consequence, the pre-financing of Horizon calls could be increased to normal levels, aligning DG CONNECT with the rest of the Research family, and no shortage is expected on the completion lines.

The impact of the shortage of payment appropriations, covering the financial aspects only, has been analysed and are presented in a table below. It appears that more than 1000 companies, including a number of SMEs, were affected by the blocking of grant payments amounting to more than 104 MEUR affecting in total 176 projects.

Total number of blocked projects	176
Number of Companies involved	1015
Number of companies participations	1769
Number of SMEs involved	150
Number of SMEs participations	157
Amount blocked	104.395.781 EUR

Pays	N° Particip.	%	N° Companies	N° SMEs	N° SME
Germany	296	17%	153	28	26
United Kingdom	213	12%	108	16	16
Italy	198	11%	117	13	13
France	190	11%	103	16	16
Spain	138	8%	91	15	13
The Netherlands	122	7%	71	12	12
Belgium	82	5%	47	7	6
Greece	78	4%	41	7	7
Sweden	57	3%	27	2	2
Austria	51	3%	20	7	7
Denmark	29	2%	22	3	3
Other EU Countries	167	9%	126	20	19
EFTA countries	86	5%	39	9	8
3rd countries*	40	2%	28	1	1
Other Countries	22	1%	22	1	1
	1769		1015	157	150

* Third countries include Israel, Switzerland, Serbia, Bosnia

Human resources

As recorded in January 2015, 70% of staff population in DG CONNECT works on core operational activities (42% on programme management, 21% on policy and law making and 7% on law monitoring and enforcement). Over time the proportion of staff working on policy-related work can be expected to increase, especially as a result of the delegation of Horizon 2020 budget management to external agencies. Another 18% of staff works on budgetary management and anti-fraud activities. The remaining 12% works on administrative support and coordination functions. DG CONNECT is striving to further reduce the share of administrative support and coordination functions across the DG.

Financial Resources (in grant management)

The Research Framework Programmes are implemented through 'direct' and 'indirect' management, through co-financed contracts signed with external parties (research organisations, companies).

In 2014, 1,1 BEUR was committed in relation to Horizon and CEF projects and 869 MEUR was paid for Grant Agreements signed in 2014 or earlier (FP7 and CIP projects and a few Horizon pre-financing). In order to achieve both operational (research-related) and financial objectives, DG CONNECT has established a control framework to prevent, detect and deter irregularities at the different stages of the grant management process.

This control framework must be cost-effective and not cause excessive administrative burdens to researchers and beneficiaries. DG CONNECT therefore operates a system of targeted controls before

payment. It bases its main assurance on in-depth checks carried out at a sample of the beneficiaries' premises after costs have been incurred and declared.

The Research Directorates-General have defined and implemented a common control strategy, the key elements of which are the ex-post audit strategy and the recovery process. 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. Since 2012 a Common Representative audit Sample (CRaS) is used to identify the common error across the whole of FP7 operations. This Sample has been 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.

Since 1st January 2014 a Common Support Centre (CSC), which is common to the research DGs, delivers services regarding legal support, ex-post audit, IT systems and operations, business processes and programme information to research DGs, EAs and JUs in the scope of FP7 and H2020. The Common Audit Service (CAS) performs all new FP7 audits starting from 1 January 2014 and reports on their results to the DGs. The FP7 audits which were on-going at that date continue to be handled by the respective research services which initiated the audit. In 2014, the CAS launched 148 FP7 DG CONNECT audits from which 28 were closed.

Materiality is assessed, in accordance with Annex 4 of the AAR. In 2014, DG CONNECT also managed financial operations under the 6th Framework Programme but because these are limited amounts concerning the residual payments for a programme that is now closed, these are not covered in this report. The table below gives an indication of the type of payments made by DG CONNECT in 2014. It does not include payments in assigned revenue (fund sources C4, C5, R0 and R8, which reached 88,6 MEUR in 2014)

	Operational expenditure	**Administrative expenditure**	**TOTAL**
Direct Management			
1- Research Programmes		74.918.910	**1.001.345.117**
H2020	42.129.953		
FP7	791.076.534		
CIP	92.919.720		
Other measures	300.000		
2- Non Research Programmes		1.768.342	**10.778.778**
CEF	67.045		
Safer Internet	5.412.871		
Other Programmes and Pilot projects	3.530.520		
3- Cross subdelegations CNECT/ (DIGIT, ENTR, ESTAT, OP, PMO, RTD, OIB)	4.825.615	1.913.512	**6.739.127**

Indirect Management			
1- Implementing Bodies		-	**108.451.729**
ARTEMIS	*20.100.000*		

ENIAC	*54.144.250*		
AAL	*7.499.229*		
BEREC	*4.162.792*		
ENISA	*9.085.458*		
ECSEL	*460.000*		
EIB - Project Bond Pilot Initiative (PBI)	*13.000.000*		

TOTAL	**1.048.713.987**	**78.600.764**	**1.127.314.751**

The purpose of this chapter is to highlight the main controls implemented throughout the DG CONNECT grant management process and to assess their cost/effectiveness. The latter, alongside the residual error rate as main indicator, aims at providing a global overview when assessing the management of the human and the financial resources of DG CONNECT for 2014.

The control systems are divided into four distinct stages, each with specific control objectives. Key indicators have been defined for each stage.

Stage one: Programming, Evaluation & Selection

This first stage includes the preparation and the publication of the calls for proposals and the subsequent evaluation of the received proposals. The main objective at this stage is to ensure that the dedicated funds will be spent on research projects which target excellence in science and which – in the same time – comply with the operational objectives of the EC funded research programmes.

The selection process implies an initial screening of the submitted proposals to assess their admissibility and eligibility. In a second stage the eligible proposals are evaluated by an independent evaluation panel and an adequate evaluation review procedure is put in place in case of complaints regarding the evaluation. The aim of all steps in this process is to ensure a robust and transparent selection which in turn will guarantee the highest value for money return.

The key indicators which can be used to measure the performance of this stage are the level of execution of the DG's work programmes, the attractiveness of the calls, the time-to-inform, the budget implementation in 2014, the time-to-pay experts, and the level of requests for evaluation review.

Level of execution of the DG's work programmes

DG CONNECT's work programmes for 2014 foresaw the implementation of 12 calls for proposals in the H2020 Framework Programme, 11 calls coordinated by other DGs or agencies and 2 calls in the CEF programme. All of these calls have been successfully implemented.

Attractiveness of the calls

The attractiveness of the DG CONNECT's funded programmes can be measured by the proportion of the proposals received compared to the ones which were effectively selected. For the year 2014 there were on average 8.4 proposals received for each selected proposal. This demonstrates the attractiveness of the programmes managed by DG CONNECT.

Average time-to-inform

In accordance with Article 128(2) of Regulation (EU, Euratom) No 966/2012, calls for proposals shall specify the planned dates for the processing of the applications based on the following periods:

(a) for informing all applicants of the outcome of the scientific evaluation of their application, a maximum period of five months from the final date for submission of complete proposals;

(b) for signing grant agreements with applicants or notifying grant decisions to them, a maximum period of three months from the date of informing applicants they have been successful.

In 2014, DG CONNECT complied with this control effectiveness indicator with a maximum time-to-inform result of 5 months (average time to inform 152 days) and a maximum period of 3 months (average time to sign 82 days) for signing grant agreements.

Evaluation Review Procedures

As shown in the table below the number of introduced requests for review (15) is very low compared to the total proposals (2361; 0.64%). The latter is a good indication for the efficiency of the selection process.

Evaluation review procedures

	TOTAL (2013)	**TOTAL (2014)**
Number of proposals received	3556	2361
Number of proposals selected	412	282
Number of evaluation review request received	110	15
Number of reviews received as % of number of proposals received	3,09%	0,64%
Number of review cases leading to a re-evaluation	1	0
Number of reviews leading to a re-evaluation as % of number of proposals received	0.03%	0
Number of (successful) evaluation reviews / total number of proposals received	0	0

Budget implementation for 2014: 98 % in commitments and 90% in payments. The DG thus ensured the good financial management of the funds.

Time-to-pay experts: 16 days compared to 14 days in 2013. The slight deterioration of the statistics between 2013 and 2014 is due to the slow start of the new Expert Management Internal (EMI system. Note that the statistics for 2014 only concerns Reviewers as all Evaluators are now handled by the Research Executive Agency (REA).

Cost-benefit analysis: In 2014, the total costs of evaluation are estimated at 11,8 MEUR, out of which 3,8 MEUR internal costs and 8 MEUR experts payments. The benefits of this stage are not quantifiable, but are the assurance that the most excellent projects are selected out of the many projects proposed. The oversubscription described above underlines the importance of this stage of the process, and why the costs are justified.

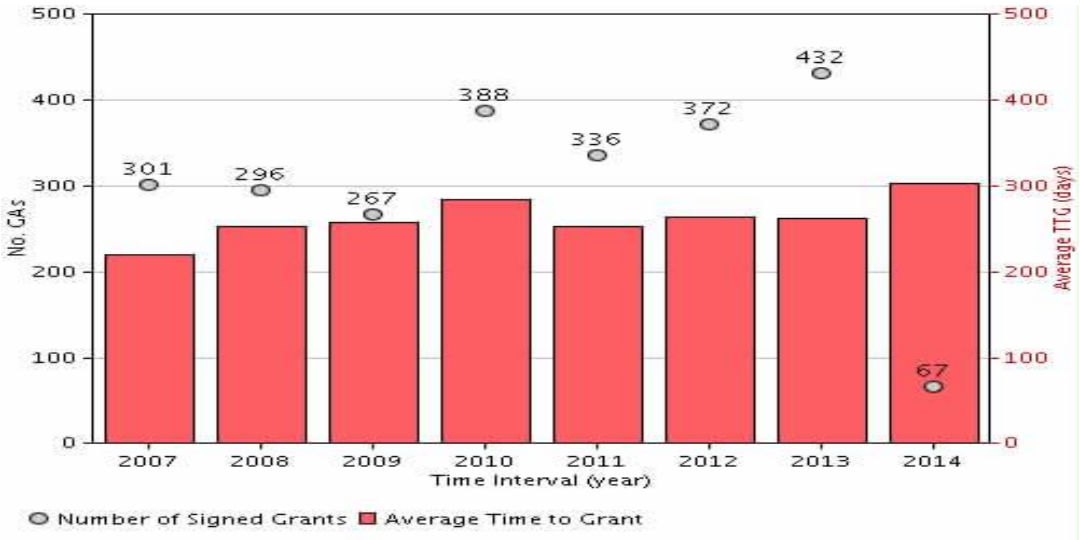
Stage two: Contracting

After a sound and transparent selection process, the next stage consists of formalizing the contractual side

of the proposals. It includes the evaluation of the scientific and financial parameters of the grant agreement, possible adjustments in the scope and repartition of the scientific work, definition of the duration and the maximum financial contribution for the projects. The overall objective of this stage is the translation of each of the retained scientific research proposal into legally binding contracts, allowing for the management of both the scientific and financial aspects of the projects and to ensure the best value for money output of each of the contracted projects. It is an important tool for ensuring the economy and efficiency of the use of the budget appropriations.

The key indicators which can be used to measure the performance of this stage are the time-to-grant and the financial impact of the negotiations.

Time-to-grant (TTG): is the length of the time between the closure date of the call for proposals and the date of the signature of the grant agreement. The TTG indicator shows the average period between the calls' closure date and the grants' signature. The evolution of the TTG for the entire FP7 programme is shown in the table below.



In 2014, a last set of 67 FP7 projects were signed with an average TTG of 304 days. A first set of 258 H2020 projects were signed with a TTG of 233 days which forms a considerable improvement compared to FP7. 33 CIP-ICT-PSP projects were signed in 2014 with an average TTG of 329 days.

Financial impact of the negotiation: Although the reduction of costs at this stage is not an objective in itself, one way to measure the achievement of the economy and efficiency control objective is through an indicator on the financial impact of the negotiation process. The financial impact of this negotiation process shows that over the last 2 years savings of an average of more than 3% of the EC contribution initially requested have been made. The 2014 average adjustment resulting from the contracting process was 3.04% or 10,85 MEUR Euro.

Financial impact of the contracting process

2014	Number of grant agreements signed	EC Contribution requested in the proposals (in €)	EC Contribution provided through signed agreements (in €)	% Reduction
FP7	67	280,608,397	270,605,481	3.56%
CIP	33	76,347,785	75,504,637	1.10%
Total	100	356,956,182	346,110,118	3.04%

Cost-benefit analysis: While financial benefits could be clearly identified when analysing the impact of the contracting process (see table above), the main benefits of this stage are unquantifiable as they consist in translating valuable scientific ideas into legally binding grant agreements. Notwithstanding the fact that staff carried out multiple tasks across the entire grant management process, the internal costs associated with the contracting process could be quantified to be 2,72 MEUR which is far less than the 10,85 MEUR average adjustment benefits resulting from the contracting process.

Stage three: Monitoring the execution of the projects

The stage of monitoring comprises all management aspects during the lifetime of a project including both the technical evaluation of the advancement of the work, grants' amendments when necessary and financial controls on the intermediate and final payments of the project. The financial controls can be categorised into controls which fall under the responsibility of the beneficiaries and controls which are carried out by the DG CONNECT services.

Under the grant agreements' provisions for H2020, FP7 and the non-research programmes managed by the DG, the beneficiaries, when overpassing a fixed threshold of EC contribution requested, are obliged to submit a Certificate on the Financial Statement (CFS) issued by an qualified and independent auditor, ascertaining the eligibility of the costs claimed.

The audit certification is an instrument which has been introduced in earlier framework programmes for research and proved its effectiveness although the Research family, as well as the European Court of Auditors, have identified that these certificates do not always identify all ineligible expenditure in the cost claim. To assess the effect of this weakness, DG RTD carried out a study that showed that cost claims with a CFS had an average error rate 50% lower than those without. This shows that, while not perfect, these CFSs do have a significant positive effect.

Another certification tool introduced with the Seventh Framework Programme for Research and Innovation is the certificate on the methodology. The beneficiaries are given the possibility to submit for prior approval to the European Commission their methodologies for calculating personnel and indirect costs for the purpose of claiming contribution in EC funded projects. This tool allows for having upfront a correct methodology which should in turn ensure error-free costs statements.

The ex-ante assessment of the eligibility of the submitted costs for reimbursement is the main control which falls under the responsibility of the DG CONNECT financial officers.

A key indicator which can be used to measure the performance of this stage is the time-to-pay.

The Time-To-Pay (TTP): gives the percentage of payments made within the deadlines. For 2014, in total 92 % of the payments were made within the deadlines compared to 98% in 2013. The shortage of payment appropriations in the second semester of the year and the start of the new MFF with new IT tools impacted negatively on the statistics. DG CONNECT will continue its efforts in 2015 to further reduce the number of late payments, in line with the tighter deadlines imposed by the Financial Regulation.

Cost-benefit analysis: DG CONNECT estimates that this stage of the process costs around 20 MEUR for the normal management of the contracts and ex-ante controls over payment claims. The average project management costs (exclusive of financial management) are 10.162 EUR per running project. The average number of projects managed 'per' PO staff member in 2014 was 19.2

Number of running projects in 2014

2014	Projects	Budget	Policy Officers	Average Project	Average Budget
FP7	1,519	5,634,481,044	102.75	14.78	54,836,798
CIP	191	504,916,561	102.75	1.86	4,914,030
H2020	258	843,426,297	102.75	2.51	8,208,528
Total	1,968	6,982,823,902	102.75	19.2	67,959,357

The real benefit of the ex-ante controls cannot - with the current practices and IT systems in place - be fully quantified. Indeed, many interactions take place between the consortium and the DG's operational services in order to clean the costs statements from substantial errors still before the official submission of the latter. Therefore, the costs accepted for reimbursement are often very close to the one submitted in the "pre-cleaned" financial statements. As a consequence the difference between the accepted costs and the ones claimed with the latest submission of the financial statement cannot fully measure the "gain" from the ex-ante control measures.

The amount recorded in the accounting system (ABAC) for recoveries in 2014 is 29,7 MEUR. Excluding recoveries from ex-post controls (7,5 MEUR) gives a first estimate of the savings through these controls of 22,2 MEUR. This is higher than the internal costs (20 MEUR), although the figures are not directly comparable. Firstly, a significant part of the cost relates to normal contract management and the analysis of the deliverables, and this management and analysis can be valuable to ensure high quality, even if it does not lead to a financial saving. Secondly, it should be noted that, even with no control, there would still be a considerable cost for the processing of payments.

Stage four: Ex-post control and recoveries

The last stage concerns the ex-post audits carried out on DG CONNECT funded projects and the resulting recoveries.

DG CONNECT manages, besides the FP7 Research projects, also smaller actions and programmes which represent 10,4% of the total payments in 2014 and of which CIP ICT PSP is the main programme (9,6% of the total payments in 2014).

The analysis of the audit results for the purpose of this report will focus on FP7 and CIP ICT PSP as the other programmes are below the reporting materiality.

An important development of 2014 in this area is the creation, on 1st January 2014, of a Common Support Centre (CSC) which is common to the research DGs and which delivers services regarding legal support, ex-post audit, IT systems and operations, business processes and programme information to research DGs, EAs and JUs in the scope of FP7 and H2020.

The Common Audit Service (CAS) performs all new FP7 audits starting from 1 January 2014 and reports on their results to the DGs. The audit of the other programmes and the FP7 audits which were on-going on 1 January 2014 continue to be handled by the respective research services. The CAS will also implement the audit strategy of Horizon 2020.

The key indicators which can be used to measure the performance of this stage are the residual error rates, the audit coverage and the implementation of the audit results.

FP7 Audit Strategy

Residual Error rate

The audit activity on the FP7 Research funding of the EC is regulated at global "research family" level by the common FP7 Audit Strategy (2009-2016). The strategy was formally adopted by the Commission Research Services in October 2009 and updated in 2012.
The assurance process is based on the error rate stemming from a Common Representative audit Sample (CRaS) for the research family. The following principles apply:
The sampling is done on a population consisting of all cost statements received by all Commission Research Services;

The monetary unit sampling (MUS) technique is used for selecting the cost statements to be audited (on the basis of the EC-share of the amount claimed).

The common FP7 Audit Strategy also defines the principle of extension of the audit findings. The extension of the audit findings consists in correcting systematic errors noted in the audits also in the non-audited periods and other projects of the same beneficiary.

The main indicator which flies directly from the audit activity and serves as basis for evaluating the legality and regularity of the payments is the residual error rate which represents the estimated level of error remaining in the payments' population after correcting/recovering adjustments resulting from ex-post audits. When calculating the residual error rate the following assumptions are made:

All errors detected through ex-post controls will be corrected.

All participations will be cleaned from errors of systematic nature via the procedure of extension of the audit findings.

The residual error rate for non-audited participations after extension of the audit findings will equal the non-systematic error rate.

The methodology for calculating the residual error rate is laid down in Annex 4.

The representative error rate calculated based on the common sample is 2,76%. It is based on 261 closed audits as of 31 December 2014 out of 324 selected transactions. The rest of the audits are still in contradictory procedure with the audited beneficiaries. Considering that the audits that are closed in the shortest time are generally those with the lowest financial corrections, it is expected that the error rate will increase in 2015. Therefore, DG CONNECT prefers to refer to an estimated maximum representative error rate of 5% (representative error rate in 2013: 4,14%) and a corrected residual error rate of 3% (residual error rate in 2013: 2,84%) which is likely to give a more reliable picture of the error rate in the implemented expenditure. Using the corrected residual error rate, the estimated amount at risk would be 39,7 MEUR euro.

As the corrected residual error rate of 3% exceeds the established materiality level of 2%, DG CONNECT will maintain the reservation already expressed in the Annual Activity Report for 2013.

Audit coverage

As of 31.12.2014, the share of the directly audited requested contribution amounts to 9,3%. When the extension of the audit findings' effect is taken into account together with audits on DG CONNECT's beneficiaries by other research services, the coverage increases to 67,9%.

In 2014, 145 audits were closed (including 28 by the Common Audit Service (CAS)) covering 182 MEUR. This is above the target of 140 audits in 2014. On a cumulative basis, until 2014, 580 audits were closed

covering 516 MEUR.

Implementation of audit results

The table below provides the results of the implementation of FP7 direct audits (24,8 MEUR adjusted).

Year	Audit activity		Results in favour of the EC		Open for implementation		Implemented (registered in contract management system)						TOTAL (in terms of participations)	
							Offset from payment		Recoveries		Waived (amounts below materiality criteria)		Open	Implemented
	# audits closed	# participations audited	# participations	Adjustments in EUR	#	EUR	#	EUR	#	EUR	#	EUR		
FP7 Total	**580**	**936**	**663**	**24.841.871**	**130**	**4.945.028**	**256**	**6.496.990**	**267**	**13.367.436**	**10**	**32.237**	**20%**	**80%**
From which CAS	28	54	**17**	**368.056**	10	302081	2	10.041	5	55.934	0	-	59%	41%

An additional 2,8 MEUR were recovered in the scope of the extension of the audit findings process, out of which 0,5 MEUR in 2014.

Non-Research Audit strategy

In order to ensure audit coverage on this part of the budget, a specific Audit Strategy on Non-Research programmes was defined in 2012. It plans the initiation of about 35 audits per year between 2012-2017.

CIP ICT PSP applies the same materiality criteria and principles as for FP7. These criteria, principles and the methodology to calculate the error rate are laid down in annex 4. The results of the ex-post audits performed on CIP ICT PSP projects show a detected error rate of 5,29% for 2014 (2,82% in 2013) and a cumulated residual error rate of 2,94% (2,77% in 2013) which is above the 2% materiality criterion. This residual error rate, when compared to the related ABB line, would lead to an amount at risk of 2,99 MEUR.

Only 18 of the 59 non-research audits closed at the end of 2014 were part of the non-risk based batch sample that could be used to determine the error rates under CIP ICT PSP. Considering this low number of audits and the resulting low coverage of requested EU contribution of 1,6% (2,6% when considering risk based audits), the above mentioned error rates should be considered with caution. Nevertheless, as the detected error rates calculated over the last years are increasing, it is expected that the 2% residual error rate target at the end of the programming period for CIP ICT PSP will not be attained and a reservation is made.

Audit coverage

As of 31.12.2014, the share of the directly audited requested contributions, including risk based audits, amounts to 2,6%.

In 2014, 30 non-research audits (including 20 CIP) were closed covering 10 MEUR, compared to a target of 35 audits. On a cumulative basis, until 2014, 59 Non-research audits (including 36 CIP) were closed covering 32,6 MEUR.

The number of closed audits is below the target set in the strategy. This is explained by DG CONNECT's focus on the implementation of the FP7 audit strategy and risk based audits. However, 42 new CIP ICT PSP

audits were launched in 2014 and it is expected to launch an additional 98 new CIP ICT PSP audits in 2015. As a result, the number of closed audits should significantly increase in 2015.

Implementation of audit results

The table below provides the results of the implementation of CIP ICT PSP direct audits (1,8 MEUR adjusted).

Year	Audit activity		Results in favour of the EC		Open for implementation		Implemented (registered in contract management system)						TOTAL (in terms of participations)	
							Offset from payment		Recoveries		Waived (amounts below materiality criteria)		Open	Implemented
	# audits closed	# participations audited	# participations	Adjustments in EUR	#	EUR	#	EUR	#	EUR	#	EUR		
CIP Total	**36**	**57**	**34**	**1.782.884**	**5**	**70.891**	**11**	**355.786**	**18**	**1.356.207**	-	-	15%	85%

An additional 0,6 MEUR were recovered in the scope of the extension of the audit findings process.

H2020

H2020 is in its starting phase and did not yet reach the appropriate level of maturity to start with ex-post audits.

The H2020 audit strategy will be drafted in 2015. In line with the Article 29.3 of Regulation (EU) No 1291/2013 of 11 December 2013 which states that "As part of the control system, the Audit Strategy for expenditure on indirect actions under Horizon 2020 shall be based on the financial audit of a representative sample of expenditure across Horizon 2020 as a whole. That representative sample shall be complemented by a selection based on an assessment of the risks related to expenditure."

This corporate approach will also deliver benefits for the calculation of indirect audit coverage, through the extension of audit findings to non-audited projects of the same beneficiaries.

Cost benefit analysis

While financial benefits could be clearly identified when analysing the impact of the ex-post control and recoveries process, some benefits of this stage are unquantifiable as they consist in, among others, ensuring a good control environment and providing assurance on the legality and regularity of the payments.

The costs of this stage of the process are summarized in the table below.

	2014
Cost of internal resources (in MEUR)	2,0 MEUR
Cost of externalised auditing (in MEUR)	1,3 MEUR
Total costs linked to auditing (in MEUR)	3,3 MEUR

The estimated average cost per closed audit in 2014 amounts to 22.448 euro.

Since 1st January 2014, a Common Support Centre (CSC) which is common to the research DGs delivers services regarding legal support, ex-post audit, IT systems and operations, business processes and programme information to research DGs, EAs and JUs in the scope of FP7 and H2020. The Common Audit Service (CAS) performs all new FP7 audits starting from 1 January 2014 and reports on their results to the DGs. As a result, the ex-post activities of DG CONNECT is limited to the Non research audits and the FP6 FP7 audits which were initiated before 1 January 2014.

Scientific and Financial Fraud prevention and detection

DG CONNECT has developed its anti-fraud strategy as foreseen in the Commission's overall anti-fraud strategy[10]. The strategy has been adopted back in 2011 and all the resulting measures have been implemented. In 2012 a first anti-fraud strategy for the Research family was adopted which is being revised to respond to the new challenges, including H2020, of the Research DGs. The revised strategy will include an action plan which is common for all research DGs.

In 2014, DG CONNECT continued to transmit information to OLAF about suspicions of fraud and other irregularities. In 2014, OLAF opened 2 new investigations having an impact on DG CONNECT.

Overall Cost and Benefits of controls

The sections above give an estimate of the costs of the controls in the different stages of the grant management process. As previously stated these costs should be regarded in the global context of the DG's control system which primarily objectives are to implement the main policies as expected and to ensure the legality and regularity of the financial transactions.

The total cost of control can be evaluated for the 4 stages at approximately 37,9 MEUR. This would correspond to 3,6 % of the total operational payments made in 2014.

In MEUR	Officials	Contractual staff	END	Other (external inputs)	Total
Stage 1 – Programming and evaluation	3,3	0,5		8,0	11,8
Stage 2 - Contracting	2,4	0,4			2,7
Stage 3 – Monitoring the execution (financial circuits)	17,6	2,5			20,1
TOTAL EX-ANTE	23,3	3,4		8,0	34,6
Stage 4 – Ex-post controls and recoveries	1,5	0,3	0,2	1,3	3,3
TOTAL EX-POST	**1,5**	**0,3**	**0,2**	**1,3**	**3,3**
TOTAL COSTS	**24,8**	**3,7**	**0,2**	**9,3**	**37,9**

Benefits of control

[10] COM(2011)376 of 24.06.2011.

Were possible, the direct benefits of the controls in place have been highlighted in this report**.** The benefits of the grant management control system are considered here as a whole, as they cannot only be expressed in monetary terms.

The first objective of the control system is to achieve the main policy objective – to create growth and jobs. In this sense, the controls aim to ensure good work programmes, select the best proposals to be funded and verify the deliverables. The benefits are much wider than the budget implemented in the given year.

Nevertheless, during the different control stages, some economies are made for the EU budget: reductions of the requested EC contribution in the grant agreements during the contracting stage (10,85 MEUR in 2014), rejected costs during the contract management stage (an estimate of 26 MEUR on a total of 1873 MEUR submitted cost for FP7 and CIP ICT PSP), and ex-post recoveries of irregular expenditure (7,5 MEUR in 2014).

Overall, given

- the achievements of the policies as set out in Part 1;
- the quantitative and qualitative benefits arising from the control systems adopted;
- the costs of the control system compared to total expenditure;

It is considered that a cost-effective control system has been put in place.

2.2 Budget implementation tasks entrusted to other DGs and entities.

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

As mentioned in 'The DG in Brief', DG Connect has entrusted parts of its budget for implementation (commitment appropriations) to other Commission services, EAs, a JU, Regulatory Agencies and a body linked to Article 185 initiatives.

In all these cases, the supervision arrangements are based on the principle of controlling 'with' the relevant entity. For further details, see the ICT on indirect management in Annex 5.

Entity	Legal form	Purpose	Amount
Other Commission Services though a number of cross-delegations		Cross delegation to DIGIT, ENTR, ESTAT, OP, PMO, RTD, OIB	7.157.603 EUR
ECSEL	JU	ECSEL inter alia contributes to the development of a strong and globally competitive electronics components and systems industry in the European Union.	155.460.000 EUR
BEREC office	Regulatory Agency	BEREC contributes to the development and better functioning of the internal market for electronic communications networks and services	4.162.792 EUR
ENISA	Regulatory Agency	ENISA seeks to develop a culture of Network and Information Security for the benefit of citizens, consumers, business and public sector organisations in the European Union	9.085.458 EUR

Ambient Assisted Living (AAL)	Private Law body	The Active and Assisted Living Joint Programme (AAL JP) is a Member States' initiative for applied research on ICT and ageing well.	16.392.000 EUR
Financial instruments to the EIB established under the CEF Broadband	EU Institution	To enable long-term capital market financing of infrastructure projects including, but not limited to, those carried out under project finance structures (which on a risk-sharing basis aims to enable long-term capital market financing of infrastructure projects including, but not limited to, those carried out under project finance structures.	17.499.729 EUR

Cross-sub-delegations

As in previous years, DG CONNECT has cross-sub-delegated a number of activities to different services within the Commission, in order to arrange the provision of certain operations more efficiently. Being a Commission service itself, the Authorising Officer by delegation (AOD) of the cross-delegated service is required to implement the appropriations subject to the same rules, responsibilities and accountability arrangements.

The cross-delegation agreements require the AODs of cross-delegated services to report on the use of these appropriations. The reports on the sub-delegations received from other DGs and offices did not provide any indication of any particular unfavourable observation with regard to the regularity and legality of the transactions concerned.

Please see annex 10 for the complete list of DG CONNECT activities covered by crossed sub-delegation in 2014.

Executive Agencies

In 2014, DG CONNECT became parent DG for the EA's REA, INEA and EASME. In 2014 these agencies processed payments for a value of 8,41 MEUR on CONNECT budget lines[11]. In 2014, DG CONNECT did not contribute yet to the subsidies paid for these Executive Agencies operating budgets.

Entity	Legal form	Purpose	Operational appropriations linked to DG CNECT activities but implemented directly by the EA's
Innovation and Networks Executive Agency (INEA)	Executive Agency	INEA officially started its activities on 1 January 2014 in order to implement the following EU programmes: • Connecting Europe Facility (CEF) • Parts of Horizon 2020 – Smart, green, and integrated transport + Secure, clean and efficient energy • Legacy programmes: TEN-T and Marco Polo 2007-2013	0 EUR
Research Executive	Executive Agency	As from 2014, the Agency manages a large share of	167.929.039 EUR

[11] Mainly payments to experts processed by REA but also some payments for the SME instrument implemented by EASME.

Agency (REA)		Horizon 2020, the biggest EU Research and Innovation programme ever, with €79 billion of funding available until 2020.	
Executive Agency for Small and Medium-sized Enterprises (EASME)	Executive Agency	The Executive Agency for Small and Medium-sized Enterprises (EASME) has been set-up by the European Commission to manage on its behalf several EU programmes. The EASME replaces the EACI (Executive Agency for Competitiveness and Innovation) that managed Enterprise Europe Network, Intelligent Energy – Europe, Eco-innovation and Marco Polo. The Marco Polo programme has been transferred to the Innovation and Networks Executive Agency (INEA).	45.000.000 EUR

The transfer of the management of programmes to the executive agencies implied some "transition" risks that, when they materialize, can lead to delays in the implementation of the programmes, information gaps, etc. These risks had to be closely monitored during the year by the units coordinating the programmes and at the level of the Steering Committee.

In terms of supervision, the control systems of these agencies are similar to those of their parent DGs. They produce their own AARs. EASME and INEA's AARs do not contain any reservations. REA made reservations concerning the ABB activities Space and Security (Legacy of the FP7 Cooperation Specific Programme) and Research for the Benefit of SMEs actions (Capacities Specific Programme). Both reservations are in line with the reservation made by DG CONNECT, namely the reservation on the accuracy of FP7 grant cost claims.

The supervision of the Executive Agencies continued throughout 2014. The Annual Activity Reports of these Agencies were reviewed by DG CONNECT and the Steering Committees of the Agencies. Agencies report quarterly to the Directorate-General on the use of resources. The preparation of the EAs' budgets and annual work plans is coordinated with the Directorate-General. The EAs are subject to audit by the Internal Audit Service of the Commission and by the European Court of Auditors – DG CONNECT uses their reports as an element of the supervision of these bodies. No unexpected issues arose which would need to be raised in this report.

In DG CONNECT, it is estimated that 3.65 FTE were employed in supervision and coordination activities related to these bodies. This relates to a total cost of 481.800 EUR or 5,7 % of the amount of expenditure (8,41 MEUR). Overall, DG CONNECT considers that its supervision of Executive Agencies is effective and appropriate.

ENIAC and ARTEMIS merged into ECSEL

The two Joint Undertakings (ENIAC and ARTEMIS Joint Technology Initiatives) in which DG CONNECT represents the EU were merged into a single Joint Undertaking on 'Electronic Components and Systems for European Leadership' (ECSEL) (Council Regulation (EU) No 561/2014 of 6 May 2014).

ENIAC and ARTEMIS implemented operations until the 27 June 2014 when ECSEL was established. The first calls for proposals were launched on 10 July 2014 allowing the JU to execute a budget of €155 MEUR leveraging a similar amount from the participating Member States and 430 MEUR contribution from the participants. Of the 155 MEUR, some 48 MEUR went to support Research and Innovation Projects and 107 MEUR to Innovation Projects – mainly manufacturing pilot lines.

The Director of Directorate A 'Components and Systems' represents the Commission in the Governing

Board (GB) and the Public Authorities Board (PAB) of the ECSEL JU. DG CONNECT closely monitors the work of ECSEL JU, inter alia by preparing the Commission's position in the GB and in the PAB.

The findings from the Internal Audit Service (IAS) audit on the implementation of FP7 control systems including supervision of external bodies highlight the lack of reliable information with regards to the adequacy and coverage of the ex-post controls carried out by the National authorities on the EU funds entrusted to the JUs and non-alignment in the timing of the JUs AAR and of DG CONNECT AAR coupled with insufficient transmission of information.

In the present AAR, use is made of information provided by the JU's to Council and Parliament mainly in the context of the discharge procedure of the 2013 annual accounts, as well as a report requested from the Executive Director by DG CONNECT detailing the actions undertaken in the last year. At the time of drafting the present AAR, DG CONNECT does not have final or preliminary information on the audits done by the European Court of Auditors on the JU's 2014 annual accounts.

DG CONNECT concludes from the information available that, in 2014, progress was made by the JU's to collect data from the national funding authorities (i) on the methodologies applied for the verification, control and audit done on costs submitted by the beneficiaries and (ii) on the results of these checks in an increasing number of transactions, especially for final payments. This information does not allow the JU's to determine an error/residual error rate with the same precision as done by DG CONNECT for the expenditure of EU funds. The information however indicates that similar checks are done by the national funding authorities resulting in corrections of the same order.

The European Court of Auditors (ECA) issued in 2014 as in previous years a qualified opinion on the legality and regularity of the transactions underlying the 2013 annual accounts for ARTEMIS and ENIAC JU because of insufficient information on the implementation of JU's ex-post audit strategy essentially as it relies on the controls performed in the JU's member States. The EP Budgetary Control Committee issued draft reports on discharge of the 2013 budget in which it expresses its concern about the qualified opinion of the ECA for the third year in a row, but the Committee also acknowledges for both JUs the action plans that aim to remedy the deficiencies described in the ECA report in 2014.

In 2014 the JUs have been putting in place corrective measures. These measures include (1) the ECSEL (as the legal successor of ARTEMIS and ENIAC JUs) engagement in an assessment of the procedures and policies used by the National Funding Authorities (NFA) in order to gain insight in the assurance systems in place and applied in the NFA and allow for an assessment. So far, the assessment has been completed for some large contributors (France, Germany), medium contributors (Austria, Belgium) and a small contributor (Romania), representing combined 54,2% of the grants awarded by the ARTEMIS and ENIAC JUs. The JU concluded that the dominant approach implemented by the NFA consists in auditing/verifying 100% of the transactions. (2) Upon the suggestion of the ECA, the ECSEL organized on 1 October 2014 a “Workshop on Assurance” that enabled an exchange of information on best practices with the NFAs. The Workshop was attended by NFA representatives active in the JU as well as representatives of ECA and EC. (3) Independently of the JUs actions, the ECA visited the NFAs in Spain (in 2013) and in Austria (in 2014).

The Commission (i.e DG CONNECT as "Parent DG") requested at the November Governing Board meeting a written report on the results of the analysis of the information received from NFAs and the planned future actions in collecting the data on the ex-post audit strategies of the other NFAs for which no information was available so far. This report was submitted to the Commission end of January 2015 and showed sufficient progress. This issue will not impact the ECSEL operations under Horizon 2020 because the JU funding mechanism is no longer linked to the recognition of costs at national level.

DG CONNECT's costs for the monitoring and supervision of the JU's could be calculated as 3 FTE (334.000 EUR). This represents around 0,45% of the payment to ENIAC, ARTEMIS & ECSEL (74,7 MEUR) in 2014.

Overall, DG CONNECT considers that its supervision of the ECSEL JU is effective and appropriate.

Body of European Regulators for Electronic Communications (BEREC)

The tasks, organisation and operation of BEREC and the Office are set out in Regulation (EC) No 1211/2009 of 25 November 2009 establishing the Body of European Regulators for Electronic Communications (BEREC) and the Office (BEREC Regulation). The BEREC Office is an EU Body that provides professional and administrative support to BEREC: to collect information from the national regulatory authorities (NRAs) and exchange and transmit information; to disseminate regulatory best practices among the NRAs, to assist the Chair of BEREC in preparation of the work of the Board of Regulators and to set up BEREC Expert Working Groups and to provide support to ensure the smooth functioning of those groups etc.

With 28 staff, the BEREC Office is managed by an Administrative Manager under the supervision of a Management Committee composed of the Heads of the 28 national regulators (NRAs) and a representative of the Commission. The BEREC Office operates under the remit of DG CONNECT. The BEREC Office became operationally autonomous in September 2011.

- The Deputy Director-General of DG CONNECT represents the Commission in the Management Committee, which is the administrative governing board of the BEREC Office. Arrangements are in place within the DG to ensure that all proposals to the Management Committee are properly assessed and the Commission's position agreed. The Deputy Director-General of DG CONNECT signs a declaration of assurance in line with the one used in the Commission;

- The Administrative Manager, who is also the authorising officer of the BEREC Office, is required to produce a Consolidated Annual Activity Report, which should include information on management and internal control systems including the summary of number and type of internal audits carried out by the internal auditor, the internal audit capabilities, the recommendations made and the action taken on these recommendations and on the recommendations of previous years; any observations of the ECA and the actions taken on these observations. The Administrative Manager signs a declaration of assurance in line with the one used in the Commission. The same do the Staff of the BEREC office ;

- The Commission's Internal Audit Service (IAS) performs the BEREC Office's internal auditing function. The Strategic Audit Plan of the BEREC Office is approved by the Management Committee. The Management Committee and DG CONNECT receive the reports, for action, if necessary ;

- The ECA is the external auditor of the BEREC Office, and DG CONNECT receives copies of the reports, for action, if necessary.

In line with the IAS 2014 audit plan, a follow-up on the IAS Limited Review of the implementation of Internal Control Standards has been performed in November 2014 at the BEREC Office. It concluded that 16 out of 18 recommendations addressed to the BEREC Office were effectively implemented.

As regards the issue related to 'Information Security control' (Recommendation No 16), the IAS needs additional research to assess the adequacy of the actions taken. In November 2014 the IAS was not able to comment on the actions taken to address this recommendation as its IT audit expert was not available at that time. This recommendation was therefore kept open for further assessment by the IAS.

As regards the 'Risk management process' (Recommendation No 7), the BEREC Office has already taken

some actions but it requires further measures to be undertaken by the BEREC Office jointly with ENISA within the recently signed Service Level Agreement for the establishment of IAS capacity. This is expected to be addressed by mid-2015.

The BEREC Office received, for its 2013 accounts, an unqualified opinion from the ECA on the legality and regularity of the transactions underlying the accounts. The Court recommended to improve the budgetary management as well as to reduce payment delays for expert reimbursements. The BEREC Office consequently strengthened the role of the monthly budgetary meetings and quarterly reports to the Management Committee. A budget assistant was appointed and a revised procedure to reduce payment delays for expert reimbursements was approved by the Management Committee.

DG CONNECT's costs for the monitoring and supervision of BEREC could be calculated as 3 FTE (334.000 EUR). This represents around 8 % of the payment to the BEREC Office budget (4,16 MEUR) in 2014.

Overall, DG CONNECT considers that its supervision of the BEREC Office is effective and appropriate.

European Union Agency for Network and Information Security (ENISA)

The tasks, organisation and operation of ENISA are set out in Regulation (EC) No 526.2013 of 21 May 2013 concerning the European Union Agency for Network and Information Security (ENISA) and repealing regulation (EC) No 460/2004. The Agency was established to undertake the tasks assigned to it for the purpose of contributing to a high level of network and information security within the Union and in order to raise awareness of network and information security and to develop and promote a culture, of network and information security in society for the benefits of citizens, consumers, enterprises and public sector organisations in the Union. No new mandate for the agency was established during the reporting year.

The Director of the Digital Society, Trust and Security, within DG CONNECT and the Chief Information Security Officer within DG DIGIT represent the Commission on the Management Board. Given that DG CONNECT is the lead DG, the CONNECT Director is also a member of the executive board.

The executive board met four times formally and also discussed ad hoc issues in telephone conferences when necessary. The CONNECT H4 unit in charge or ENISA's supervision organises bi-monthly conference calls with the ENISA management to discuss the work programme and items of common interest and to ensure that there is adequate follow-up to CONNECT's requests. Moreover, there are regular meetings between the executive director of ENISA and senior members of the Management and the CONNECT's Director responsible. DG CONNECT may request, at any time, any additional information deemed necessary.

DG CONNECT reviews information which is sent to the Management Board including KPIs, documents of the board meetings as well as reports that are presented by ENISA. Sometimes, assistance from the support units in Directorate R is requested particularly for Human Resources and financial matters.

The executive director of ENISA, as the authorising officer of ENISA, is required to produce a consolidated annual activity report, which should include information on management and internal control systems including the summary of number and type of internal audits carried out by the internal auditor, the internal audit capabilities, the recommendations made and the action taken on these recommendations and on the recommendations of previous years as well as any observations of the ECA and the actions taken on these observations. He signs off a declaration of assurance.

The Commission's Internal Audit Service (IAS) performs ENISA's internal audit function and ENISA works to take into account the comments made by the IAS. The ECA is the external auditor of ENISA and DG CONNECT receives copies of the reports, for action, if necessary.

DG CONNECT receives and reviews all documentation prepared by the Agency including documents in preparation for the Executive Board and the Management Board, independent audit results. No issues have been identified. DG CONNECT is satisfied with the information received from the agency.

DG CONNECT's costs for the monitoring and supervision of ENISA could be calculated as 2.5 FTE (330.000 EUR) (including one FTE dedicated to ENISA) plus the cost of missions to attend management board and executive board meetings (12.000 EUR). This represents around 3,8 % of the payment to ENISA (9.1 MEUR) in 2014. Overall, DG CONNECT considers that its supervision of ENISA as effective and appropriate.

Active and Assisted Living Joint Programme (AAL JP)

The AAL JP is a Member States' initiative for applied research on ICT and ageing well. The budget for calls for proposals is composed of the EC contribution of 175 MEUR and contributions of Participating Countries and organisations participating in the projects (approximately 25%, 25% and 50% respectively). The new AAL JP is a prolongation of the AAL JP (2008-2013) with the same annual budget and obtained a new mandate for the period 2014-2020 (decision No 554/2014/EU) as a part of the Innovation Investment Package.

The AAL Association (AALA) is an international not-for-profit association established under Belgian law and constitutes the dedicated implementation structure created by the participating EU Member States, Israel, Norway and Switzerland (Participating Countries). The General Assembly, which is the decision taking body of the AALA, appoints the members of the Executive Board and supervises the implementation of the AAL Joint Programme, including approval of annual work programmes, allocation of national funding to projects and applications for new membership. The Commission has observer status in the meetings of the General Assembly and is also has the right to veto the AAL JP annual work programme concludes each year the transfer of funds agreement.

An ex-ante assessment of the AALA regarding its capacity to received delegation to administer the funds in accordance with the indirect centralised management modality of the EU Financial Regulation was finalised in October 2014. Its recommendations were reflected in the Delegation and Transfer of Funds Agreements as well as in the ex-post audit strategy concerning the EU contribution to the AAL JP. An action plan for follow-up will be agreed with the AAL Association in 2015. The Delegation and Transfer of Funds Agreements were signed by the President of the AALA and the authorising officer of DG CONNECT in December 2014.

The AAL JP is managed by a dedicated implementation structure, which is responsible for the administrative, financial and contractual management called Central Management Unit (CMU) and a network of national contact points (NCPs). DG CONNECT undertakes every year an annual operational review with independent external experts, including an audit expert, to assess the overall performance of the AAL Association and whether all contractual obligations are met. In 2014, this review has confirmed the good operation of the AAL JP and supports the assurance of DG CONNECT. In a few cases payment approvals have been delayed due to missing information about national audit systems and have only been released following receipt of the required information. In addition, there have been programme level evaluations with high level external experts in 2010 and in 2013.

Risk management has included verification of financial commitments of Participating Countries before EU financing is allocated as well as for payments, where the EU contribution is subject to a certification of incurred costs by the responsible national public bodies before disbursement of EU funds by the AALA. The AALA has to a) provide information about the audit procedures in each of the Participating Countries and b) to report annually on audits implemented. In addition, the AALA should report as soon as there is a suspicion of fraud or irregularities. The IAS performed an audit on external bodies managing DG CONNECT

funds, which recommended to establish a clearer ex-post audit strategy for the AAL JP. The ex-post audit strategy was approved by DG CONNECT in early 2015 and will provide assurance regarding mitigation of risks arising from the EC involvement in the AAL JP.

The Commission's involvement in the governance of the AALA did not identify any events, issues or problems which could have a material impact on assurance. The CMU is responsible for the reporting to the AALA to the Commission. A Checklist on reporting requirements had been agreed which is now annexed to the Delegation agreement. The Delegation Agreement prescribes further reporting obligations.

The administrative costs of the AALA constitute a maximum of 6% of the EU contribution to the AAL JP. The costs incurred within the national funding organisations for monitoring and supervision controls are in kind contributions; therefore it is not possible to relate them to the value of the entrusted budget. DG CONNECT's costs for the monitoring and supervision of AAL JP could be calculated as 0.5 FTE plus the cost of 13.487 EUR for the annual review by external experts. Overall, DG CONNECT considers that its supervision of ENISA as effective and appropriate. The overall performance of the implementation of the AAL JP in 2014 is considered cost-effective compared to the overall financial volume leveraged by the AAL JP (estimated 600 MEUR during FP7) and the number of projects supported (>120 MEUR during FP7).

Financial Instruments to the European Investment Bank (EIB)

On behalf of the Commission (DG ECFIN, DG MOVE, DG ENER, DG CONNECT), the European Investment Bank (EIB) manages the financial instruments established under the Project Bond Pilot Initiative (PBI), which on a risk-sharing basis aims to enable long-term capital market financing of infrastructure projects including, but not limited to, those carried out under project finance structures.

During the pilot phase of the PBI, the Total EU Budget Contribution for the PBI is limited to 230 MEUR.

This amount is committed by the Commission from the relevant appropriations in the general EU budget

and used exclusively in respect of PBI Projects in the following sectors:

- up to 200 MEUR for TEN-T Projects (DG MOVE);
- up to 10 MEUR for TEN-E Projects (DG ENER); and
- up to 20 MEUR for ICT and Broadband Projects (DG CONNECT).

The EIB delivers an annual operational report on the PBI to the Designated Services, to the INEA and to DG ECFIN by 31 March of year n+1 in respect of the period 1 January to 31 December of year n until the termination of the PBI. The same applies for financial reporting.

Governance and reporting

The Commission also has four nominees on the Steering Committee of the PBI. As at 31 December 2014, DG CONNECT was represented by Anthony Whelan (Director DG CONNECT/Directorate B). DG ECFIN chairs the Steering Committee and coordinates exchanges of views between Commission members of the Steering Committee before the meeting takes place. DG ECFIN also reports twice yearly to the European Parliament and to the Council on behalf of the Commission in accordance with the Amending Regulation.

DG ECFIN has also taken the lead on the mid-term audit, delivered in summer 2014 by an external audit company. The audit concluded that:

- The PBI has served as a catalyst to generate liquidity in debt capital markets for targeted infrastructure projects. This is demonstrated by the interest from a large pool of investors that has been attracted to the two PBI pilot phase projects that have reached financial close to date.

- The PBCE is a unique financial instrument in Europe, in terms of its supranational scope, open structure and long tenor. It is largely filling the vacuum left by monoline insurers, whilst learning from some of the inherent risks that the latter were exposed to.

- The PBI is viewed positively by nearly all stakeholders. In particular, stakeholders largely believe that there has been a structural shift from bank financing to bond financing for infrastructure projects.

13 MEUR were paid at the beginning of 2014 by DG CONNECT. These 13 MEUR represented the balance of the contribution paid in 2014 (the first tranche amounting to 7 MEUR was made in 2013). The total contribution paid by DG CONNECT (i.e. 20 MEUR) was used in 2014 by the EIB to:

- Provide credit enhancement to support the financing of Axione broadband project in France in July 2014 ;
- Cover their own performance fees of EUR 550,000 which they charged for this project.

Please find below a more detailed account of the fees that have been paid to the EIB from the PBI-ICT account in 2014:

Expenses from operating activities	
General administrative expenses	183.000
Incentive fees due to EIB	550.000
Audit fees	3.000
Fees related to treasury management	10.000
Total expenses from operating activities	746.000

Taking into account the fact that the total operating expenses charged on the PBI ICT account in 2013 were up to EUR 333.000, the outstanding balance of 18.9 MEUR is the contribution to the First-Loss Piece Portfolio under PBI-ICT account. This amount has been used by the EIB to provide credit enhancement of up to EUR 38,100,000 to the Axione broadband project which closed in France in July 2014.

The EC contribution to the PBI First Loss Piece Portfolio (FLP) serves as a guarantee for the project. The amounts provided are further invested by the EIB. In case of project default or construction cost overruns, this money provisioned as a guarantee will actually be disbursed to support the reimbursement of the overdue amounts.

No Project Bond credit enhancement provided by the EIB with EU budget support has been drawn down in 2014. This means that the amounts provisioned for this purpose have not been yet disbursed to support the shortfall of debt service of projects under PBI. The contribution of DG CONNECT to the PBI FLP will be transferred to the CEF sub-account, as explained below, when the CEF DA is signed.

In 2015, the Commission and the EIB will sign the CEF Debt Instrument Delegation Agreement. Under this

Agreement, this "reserve" amount will be moved from the PBI-ICT FLP to the CEF FLP. At the moment of the merger, actually all the assets, liabilities and contributors' resources allocated to the PBI ICT Portfolio under the PBI Agreement (as per the PBI Financial Statements as of 31 December 2014) will be transferred to the CEF sub-account corresponding to CEF projects in the sector of broadband.

Reporting

DG CONNECT considers that the operational and financial reporting (annual reports) is sufficient and provides relevant information and figures to ensure sound and efficient management of the policy aspects of this financial instrument.

The legal basis for the follow-up PBI initiative programme will be the Connecting Europe Facility Regulation as of 1.1.2015. Negotiations on a Delegation agreement between the Commission and the EIB are being finalised and an agreement is expected by the end of Q1 2015. DG ECFIN, on behalf of all operational DGs that intend to work with the EIB, is in the lead of this negotiation.

Given that this follow-up PBI initiative programme has not been deployed by the EIB, nor funded by DG CONNECT in 2014, no amount has to be covered by the assurance building for 2014. Full reporting will start as of 2015.

DG CONNECT's costs for the monitoring and supervision of the financial instruments could be calculated as 0.1 FTE (33.400 EUR). This represents around 0,25 % of the payment to the EIB (13 MEUR) in 2014.

Overall, the DG involvement in the governance of the entrusted entity did not show any events issues or problems that could have a material impact on assurance.

Conclusion on Indirect Management

For the 2014 reporting year, the cross-delegated AODs, the INEA, REA, & EASME Executive Agencies, the ECSEL Joint Undertaking, the Ambient Assisted Learning Joint Programme and the BEREC and ENISA Decentralised Agency as well as the EIB have reported reasonable assurance on the delegated budget managed by them on DG CONNECT's behalf. They have signalled no serious control issues. From DG CONNECT's own monitoring and supervision work, which includes regular contacts/representation or at least desk reviews of relevant management reports and audit reports, DG CONNECT, as a "parent DG", has no indications that their reporting would not be reliable.

In terms of supervision by the DG, cost-effectiveness is considered adequate. The average cost of the monitoring and supervision of the Executive agencies, Joint Undertakings, AAL, BEREC, ENISA and the EIB amounts to 1,4 % of the payments to these entities. Consequently, in view of our residual responsibility as “parent DG” for the indirect management of the parts of our budget via the cross-delegated AODs, Agencies and entrusted entities mentioned above, we can conclude that there are no control weaknesses affecting the assurance building. It should also be mentioned that the budget of DG CONNECT entrusted to the AAL, Artemis, ENIAC, ECSEL as well as the crossed sub-delegations related to FP7 were considered for the calculation of the amount at risk for the FP7 reservation.

2.3. Assessment of audit results and follow-up of audit recommendations

This section reports and assesses the observations and conclusions reported by auditors 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: its internal audit capability (IAC), the Commission internal audit service (IAS) and the European Court of Auditors (ECA).

Internal Audit Service (IAS)

During 2014, the Internal Audit Service carried out a number of audits on DG CONNECT, which can be summarised as follows:

- The IAS started in May 2013 the 'Audit on the Management of the Sygma IT Project (Phase 1)' that involved both DG RTD and DG CONNECT. The final report was issued on 30 January 2014. The implementation of the audit recommendations resulting from this audit has been transferred to the Common Support Centre (CSC) for all research services. It is recalled that the Common Support Centre brings together activities related to legal advice, audit, IT, business processes and information services for Horizon 2020 and a part of FP7 ensuring a more harmonised approach to beneficiaries, and allowing efficiency gains in the management of research expenditure.
- The IAS carried out an audit on the ''Implementation of FP7 Control systems including supervision of external bodies'' in 2014. The objective was to assess the internal control systems for the implementation of the ex-post control results (i.e. financial corrections), Anti-fraud measures, transfer of the ex-post control activity to the Common Support Centre and the supervision of the external bodies. The audit identified one very important issue concerning antifraud measures: In coordination with the other Research Services, DG CONNECT should further develop and implement clear guidelines on the application of financial and administrative penalties and ensure their systematic application. It should also improve its IT tool aimed at detecting double funding and plagiarism.
- Parallel to this audit, the IAS performed a Limited Review of the Calculation and the Underlying Methodology of Residual Error Rates for the 2013 Reporting Year in DG CONNECT. The IAS issued two important recommendations.
- Finally, the IAS has initiated a Gap analysis of legislation regarding Horizon 2020 in DG CONNECT which was finalised in early 2015. The objective was to analyse the Horizon 2020 legislation as decided by the co-legislators, compare it to the initial Commission proposal and highlight, for the most important areas, the additional risks the Commission is facing as a result of the co-legislative process. This was the first part of a wider review of the design of controls and preparations for implementing H2020. The IAS issued a single recommendation of a general nature, that DG RTD and other DGs and Agencies responsible for the implementation of Horizon 2020 take proper account of the changes listed in the report and adapt their internal processes in order to address the risks identified.

In all audits, the IAS expressed the opinion that the internal control system in place provided reasonable assurance regarding the achievement of the business objectives set up for the processes audited except for the very important qualifications.

For DG CONNECT, four IAS recommendations are open, of which one recommendation is actually followed-up by the Common Support Centre (CSC). For the three remaining recommendations, one (important) recommendation has a revised implementation target date (delayed by one month), the other two (one important/ one very important) are not yet due.

European Court of Auditors (ECA)

The Court concluded that the most likely error rate for the whole expenditure area 'Research and other internal policies' was 4,6%.

The Court's overall assessment of the supervisory and control systems in the Research area is that they are 'partially effective' which has also been the case for 2013 (See table below).

Table: Impact indicators: Impact on the declaration of assurance

	2013	2014
European Court of Auditors: overall assessment of supervisory and control systems	Partially effective	Partially effective

The Court recommended that in the area of the research FPs, the Commission should:

- Extend and intensify its communication campaign to raise awareness among beneficiaries and independent auditors about the eligibility rules for research spending under FP7;
- Make its control activities more risk-driven, focusing checks on high-risk beneficiaries (for example entities with less experience of European funding) and reducing the burden of checks on less risky beneficiaries;
- For the new 2014-2020 programmes for research, provide timely, consistent and clear guidance to beneficiaries and managing authorities in respect of the revised eligibility and control requirements.

The Commission accepted the Court's recommendations and has already taken appropriate action in order to fully address them. In particular, the Communication campaign has so far reached over 3100 people attending 24 events. The Commission will continue these efforts in the context of providing guidance for Horizon 2020.

In the research area, awareness-raising activities alert Commission staff to the particular risks of different types of beneficiary. This relates both to the payment stage, where there can still be an effect on FP7, and the contracting stage, where any effect will be on Horizon 2020. For Horizon 2020, this type of information will be built more systematically into the information systems used by the Commission. It is expected that 83 % of ex post audits for the period 2012-2016 will be selected using different risk factors, helping to meet the recommendation of the Court. For other internal policies, the recommendation will be further analysed in the light of the new programme environment to arrive at a cost- effective solution.

The Commission recognises its obligation to provide timely and effective guidance to beneficiaries. For the 2014-2020 programmes guidance has already been offered at a much earlier stage than for any earlier programme. For research, a set of guidance documents is already available in the Participant Portal website: http://ec.europa.eu/research/participants/portal/desktop/en/funding/reference_docs.html

Among these documents, the Horizon 2020 Annotated Grant Agreement (AGA) explains in detail, and with a large number of practical examples, all the provisions of the Grant Agreements. Special attention has been paid to those parts of the Grant Agreement which are significantly different from FP7, such as the new provisions for personnel costs.

Further targeted guidance will be developed as necessary.

In 2013, the Court issued the Special Report (2/2013) of the performance audit entitled ''Has the Commission ensured efficient implantation of the FP7 for Research?''.

It is recalled that the report focused on three main areas of interest regarding the efficient implementation of the Seventh Framework Programme which were the rules for participation, the functioning of the Commission's internal processes and the initial steps of launching new instruments. The Court issued seven recommendations, which were all accepted by the Commission. DG CONNECT is an associated DG in five of them and has already successfully implemented four of them.

The Court also issued a special report on E-commerce, which concerned mainly DG REGIO but DG CONNECT contributed, in particular as regards the Digital Agenda for Europe and the ICT innovation voucher scheme.

In 2014, the Court of Auditors reviewed the annual activity reports of DG RTD, DG CONNECT, DG EAC and the EACEA. The Court found that the reports provide a fair assessment of financial management in relation to the regularity of underlying transactions, and the information provided corroborates the Court's findings and conclusions in most respects. The Court further observed that if the residual error is above 2 % for an area of spending at the end of a reporting year, a reservation should be raised and stated that, however, the Director-General of DG CONNECT did not raise a reservation on spending for the Information and Communication Technologies Policy Support Programme, although the residual error rate at the end of 2013 was 2,77 %.

The Commission answered that the AAR provided full transparency, giving an indication for the residual error rate, the amount at risk and the materiality. The carefully considered decision not to issue a reservation on the CIP ICT PSP payments is based on the fact that the error rate could not be used for extrapolation and drawing sound conclusions given the limited sample (14 closed audits). DG CONNECT will pursue its efforts to fully implement the non-research audit strategy and closely monitor the resulting figures. In the new programming period, this programme strand of the CIP has been integrated into Horizon 2020. In view of the control results which became available in 2014 a reservation with regard to the accuracy of costs claims for grants in the ICT Policy Support Programme (PSP) of the Competitiveness and Innovation framework Programme (CIP) is made. For more details see section 4.2.

Concerning the two Joint Undertakings (ENIAC and ARTEMIS) which were merged into ECSEL, the European Court of Auditors (ECA) issued a qualified opinion on the JUs on the legality and regularity of transactions underlying the 2013 annual accounts on the grounds of not being able to conclude if the ex-post audit strategy provides sufficient assurance with respect to the legality and regularity of underlying transactions. In 2014 the JUs have been putting in place corrective measures. These measures include (1) the ECSEL engagement in an assessment of the procedures and policies used by the National Funding Authorities (NFA) in order to gain insight in the assurance systems in place and applied in the NFA and allow for an assessment. So far, the assessment has been completed for some contributors representing combined 54,2% of the grants awarded by the ARTEMIS and ENIAC JUs. The JU concluded that the dominant approach implemented by the NFA consists in auditing/verifying 100% of the transactions. (2) Upon the suggestion of the ECA, the ECSEL organized on 1 October 2014 a "Workshop on Assurance" that enabled an exchange of information on best practices with the NFAs. The Workshop was attended by NFA representatives active in the JU as well as representatives of ECA and EC. (3) Independently of the JUs actions, the ECA visited the NFAs in Spain (in 2013) and in Austria (in 2014).

The Commission (i.e DG CONNECT as "Parent DG") requested at the November Governing Board meeting a written report on the results of the analysis of the information received from NFAs and the planned future actions in collecting the data on the ex-post audit strategies of the other NFAs for which no information was available so far. This report was submitted to the Commission end of January 2015 and showed sufficient progress. This issue will not impact the ECSEL operations under Horizon 2020 because the JU funding mechanism is no longer linked to the recognition of costs at national level. For more details see section 2.2.

Internal Audit Capability (IAC)

The Internal Audit Capability carried out four audit assignments in 2014:

'Audit on Risk Assessment', 'Audit on Retrospective Evaluation of Policy Initiatives', 'Audit on Delayed Closure of Projects' and 'Audit on Impact Assessment'. Furthermore, at the end of 2014, two audit engagements were still in progress: 'Audit on Internal Communication' and 'Audit on Delegated (Externalised) Research'. The IAC has also carried out two follow-up audits: 'Follow-up Audit on FP7 Payments of Grants' and 'Follow-up Audit on Policy Design and Management of IT Access Rights'.

The four audit reports finalised during 2014 expressed a total of 21 observations, 6 of them considered as very important (3 in the 'Audit on Risk Assessment' and 1 for each of the other audits), 14 important and 1 desirable. The 'Audit on Internal Communication' and the 'Audit on Delegated (Externalised) Research' were finalised in January 2015 with in total 7 important recommendations (3 for the 'Audit on Internal Communication' and 4 for the 'Audit on Delegated Research') and 1 desirable recommendation ('Audit on Delegated Research'). In all the audits, the IAC expressed the opinion that the internal control system in place provided reasonable assurance regarding the achievement of the business objectives set up for the processes audited except for the very important qualifications, where applicable.

By January 2015, all IAC recommendations had been implemented except for eight very important and six important recommendations which were not yet due at the end of January as well as one very important recommendation. The latter concerns payments' workflows in the IT systems and will be implemented by March 2015.

In February 2015, the IAC issued its annual opinion, stating that the internal control system, risk management and governance processes in place in DG CONNECT provided reasonable assurance regarding the achievement of the business objectives set up for the activities and processes audited, except for the very important recommendations issued by the IAC. The IAC also commented on the rate of residual errors with regard to the accuracy of cost claims in the 7th Framework Programme's grant agreements, the error rate on non-research programmes, the opinion of the ECA on the legality and regularity of the transactions for ARTEMIS and ENIAC JU, the shortage of payment appropriations which triggered the breach of DG CONNECT's contractual obligations, and the deviation for H2020 expert monitors' contracts/amendments signed in 2015 on the 2014 pool-commitment, which would not be compliant with the Financial Regulation. All these elements including the response given by DG CONNECT have been covered in the AAR.

As decided by the College, the IAC activities of the Commission were centralised in the IAS as from February 2015. The IAC of DG CONNECT therefore ceased its activities as of that date**.**

Conclusion

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

All recommendations issued by the European Court of Auditors, the Internal Audit Service and the IAC of DG CONNECT are subject to a systematic follow-up and their status of implementation is closely monitored. Monthly updates on the state of implementation of the recommendations were provided to the Audit, Internal Control and Budgetary (AICB) Committee of DG CONNECT chaired by the Director-General.

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 CONNECT 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 CONNECT annually assesses the effectiveness of its key internal control systems, including the processes carried out by implementing bodies in accordance with the applicable Commission guidance. The assessment relies on a number of monitoring measures and sources of information including a survey-based management self-assessment; an analysis of the entries in the register of exceptions (ICS 8) including reported cases of non-compliance or other internal control weaknesses (ICS 12), relevant audit findings and observations and the annual high level risk assessment process (ICS 6).

Effective implementation of the Internal Control Standards

The DG's annual review of its implementation of the Internal Control Standards was conducted between October and December 2014. It started with an initial desk review by the internal control staff, followed by contributions from lead units responsible for the implementation of the ICS. If needed, meetings were held with lead services concerned to further discuss compliance and effectiveness of implementation of the Internal Control Standards. This led to a 'top-down' assessment of the DG's internal control status, with respect to both the ICS compliance and the effectiveness of the control arrangements in place. Furthermore, the 'bottom-up' information on internal control issues received through the AOSDs' Management Reports has been checked for confirmation or any counter-indications. Finally, the IAC's Opinion has been taken into account as well.

This analysis enabled the Internal Control Coordinator to report the state of internal control and her recommendations to the Director-General, including her suggestions for any ICS to be prioritised during the next year. The effectiveness review carried out in 2014 concluded that all Internal Control Standards were effectively implemented in DG CONNECT. The Internal Control Standards will be reviewed on a continuous basis and different initiatives will be taken with respect to different Internal Control Standards if and where needed.

Deviations reporting

The functioning of the internal control systems can also be assessed throughout the year by means of a systematic registration of exceptions and non-compliance events (under ICS 8) and internal control weaknesses (ICS 12). Generally, in 2014, the total number of deviations reported has significantly decreased in comparison with 2013 (79 compared to 120 in 2013). These good figures may be considered as a positive outcome of the regular analysis of the reported cases which raised awareness of the most frequent deviations in the DG. The underlying causes and potential internal control weaknesses behind the reported cases have been analysed and corrective and alternative mitigating controls have been implemented where and when necessary. The analysis of the underlying reasons of the reported deviations and internal control weaknesses were not considered material enough to merit additional reservations in the Declaration of Assurance.

In early 2015, a non-compliance event was registered as several H2020 expert monitor contracts signed in early 2015 were erroneously linked to a provisional financial commitment of 2014. The issue has been brought to the attention of senior management and raised in the context of the expert management business process, which started analysing how the EMI system could be improved to prevent such cases from happening.

The annual high level risk assessment

Each year, DGs are required to conduct a risk management exercise as part of the Management Plan process. The process is designed to alert managers to possible problems in delivering their mission and objectives and encourage early action in order to anticipate and overcome potential pitfalls. The outcome of this exercise is an obligatory risk register containing the most significant risks at DG level. Senior Management decided that the shortage of payment appropriations should be considered critical for the DG in 2015.

It was foreseen that due to the financial situation, important research projects would not get the EU funding they would need or that payments would be significantly delayed causing a disruption of the research activities on the ground and therefore reduce the overall research capacity in the EU. This would have a strong negative impact on the achievement of the policy objectives for CIP PSP ICT, FP 7 as well as for Horizon 2020. The problem affects all the members of the research family (sometimes to different extents) and would cause reputational damage to the EU.

The risk indeed materialized in the second half of 2014 for DG CONNECT, where due to the shortage of payment appropriations available, the obligations linked to the CIP and FP7 completion projects could not be honoured in time. DG CONNECT reduced the pre-financing during 2014 from 50% pre-financing to 33% for all the 2014 Horizon 2020 calls whose evaluations results were communicated to beneficiaries between September and December 2014. To compensate, DG CONNECT had given the choice between 2 and 3 reporting periods (reporting period of 12 months or 18 months). This allows for a quicker payment of the first interim payment. With reference to FP7 interim and final payments, DG CONNECT gave priority to those payments with a higher percentage of SME participation and paid late interest as compensation for the projects that were paid later. Further explanation was given in section 2.1.1.

For Horizon 2020, the budgetary situation for payment appropriations has improved following the reinforcement that took place at the end of 2014, and the 2015 budget. In consequence, the pre-financing of Horizon calls could be increased to the normal level, aligning DG CONNECT with the rest of the Research family, and no shortage is expected on the completion lines. The situation will be re-assessed at the end of the 2015 depending the outcome of the 2016 budgetary procedure.

The monitoring of the other main risks identified during the High Level Risk Assessment revealed that the exposure to all of these risks remained under control. None of the reported risks were considered to have scope for further risk mitigating actions. For all risks reported, central monitoring during 2014 was considered to be sufficient.

Risk management in DG CONNECT was subject to an IAC audit on Risk Assessment in 2014. On the basis of the IAC recommendations made, DG CONNECT overhauled and reinforced the risk identification and assessment processes, in order to increase the added value of the risk assessment exercise. Consequently, DG CONNECT developed a risk identification and assessment methodology, following the Commission Guide, addressing the following elements: staff and external partners' involvement, risk ownership, risk categories and levels, assessment of inherent risks, cost of controls and Directorates' specific risks. DG CONNECT also accurately defined cause(s) and consequence(s) of risks, in line with the Commission risk typology and on the basis of a collaborative – across the DG - discussion, and identifying critical (and cross-

cutting) risks as such in the risk register.

Audit recommendations

DG CONNECT continued its pro-active supervision and frequent reporting, ensuring a timely implementation of all ECA, IAS and IAC audit recommendations. The state of implementation of audit recommendations is reported to the senior management on a monthly basis in the ABC meeting. This mechanism has allowed DG CONNECT to significantly improve its performance in the implementation of audit recommendations.

ICS priorities in 2014

It its management plan, DG CONNECT foresaw a number of measures to be taken in order to improve the effective implementation of ICS 3 on Staff Allocation and Mobility and ICS 10 on Business Continuity.

With regard to ICS 3, the measures focussed on the promotion, implementation and monitoring of mobility (e.g. publication of vacant posts, list of specialist posts) to ensure that the right person is in the right job at the right time and, where feasible, to create career opportunities. To enhance this requirement, allocation of staff was constantly under review by senior management in 2014 through:

- HR Committee meetings taking place on a monthly basis, where each vacant post is checked against priorities and may be reallocated accordingly;
- Workload and staff allocation were corroborated with Unit priorities;
- Senior managers were provided with HR reports to help them analyse relevant trends or elaborate future scenarios in staff evolution.

The vacancy rate and turnover of staff was regularly monitored by the resources unit and reported upon in the periodical HR reports. The DG offered information on career guidance on Connected, including sections on mobility and career development. All vacancy notices (regardless of whether they are in DG CONNECT, Executive Agencies or the Common Support Centre) were published on the CONNECTED page.

By the end of 2014, the measures mentioned above were fully and satisfactorily implemented.

DG CONNECT was furthermore fully committed to implementing equal opportunities policies and promoting flexible working arrangements in order to attract staff in 2014.

With regard to ICS 10, the measures proposed focussed on the requirement that adequate measures – including handover files and deputising arrangements for relevant operational activities and financial transactions – are in place to ensure continuity of all services during "business-as-usual" interruptions (such as sick leave, staff mobility, migration to new IT systems and incidents).

A note was distributed to all DG CONNECT Directors on 29 July 2014 to focus management's attention on DG CONNECTS' Business Continuity Policy so as to ensure its compliance with the requirements of ICS 10, as well as to familiarise staff members with the necessary measures which should be part of day to day business. All Directorates were requested to ensure that they comply with ICS 10, taking into account the specificities of the respective Directorates/Units and to report on the implementation of the measures taken in their Directorate Management Report covering the second semester of 2014. By the end of 2014, the measures proposed to enhance business continuity were fully and satisfactorily implemented.

For the year 2015, DG CONNECT has decided to prioritise the implementation of ICS 8: Processes and Procedures. Several Directorates suggested prioritising this ICS in the context of the start of the implementation of Horizon 2020, the creation of the Common Support Centre, externalisation, new units

joining the DG and DG CONNECT becoming a parent DG to several Executive Agencies. Despite compliance and effective implementation of ICS 8, management takes the view that additional measures will be necessary in 2015 to enhance compliance. Relevant measures have therefore been proposed in the 2015 Management Plan, which are to be further developed and implemented in the course of 2015 in order to reinforce the assurance provided.

Risk environment

DG CONNECT implements EU research policy and supports the development of the European Research Area mainly through the Research Framework Programmes FP7 and Horizon 2020. The Seventh Framework Programme (2007-2013) is being phased out, but still a large portion of the payments appropriations will be used against cost claims until 2016-2017.

The Commission's research budget is managed by six Directorates-General (DGs): RTD, CONNECT, ENTR, EAC, MOVE and ENER and several executive agencies. In 2014, DG CONNECT supervised and governed three executive agencies REA, INEA and EASME, one Joint Undertaking (ECSEL (replacing ENIAC and ARTEMIS)), the Ambient Assisted Learning (AAL) Joint Programme, the European Union Agency for Network and Information Security (ENISA), the Body of European Regulators for Electronic Communications (BEREC) and the EIB (Financial Instruments). Consequently, a high level of planning and coordination is required to ensure consistency.

As a spending DG, the inherent risks of DG CONNECT are associated with sound financial management. The DG is particularly concerned to keep error rates in spending programmes down to a tolerable level and to balance trust and control.

Conclusion

Concerning the overall state of the internal control system, generally the DG complies with the three assessment criteria for effectiveness; i.e. (a) staff having the required knowledge and skills, (b) systems and procedures designed and implemented to manage the key risks effectively, and (c) no instances of ineffective controls that have exposed the DG to its key risks except for the FP7 and CIP ICT PSP error rates.

Further enhancing the effectiveness of the DG's 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.

4. MANAGEMENT ASSURANCE

This section reviews the assessment of the elements reported in Parts 2 and 3 and draws conclusions supporting the declaration of assurance and namely, whether it should be qualified with reservations.

4.1 Review of the elements supporting assurance

The information reported in Parts 2 and 3 stems from the results of management and auditor monitoring contained in the reports listed. These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a complete coverage of the budget delegated to the Director-General of DG CONNECT.

The statement of assurance is based on the analysis of the internal control system established in DG CONNECT supported by the conclusions of the audits from the IAC, IAS and ECA which did not highlight any critical recommendation, the IAC opinion on the state of control, the full compliance with the internal control standards and the reports received from cross delegated Authorising Officers by Delegation, the INEA, REA and EASME Executive Agencies, the ECSEL Joint Undertaking, the Ambient Assisted Learning Joint Programme and the BEREC and ENISA Decentralised Agencies.

Concerning the financial operations under FP7, as the estimated residual error rate is above 2%, which is the materiality criterion for this programme, DG CONNECT, in accordance with the other members of the Research Family will maintain a reservation for FP7 expenditure.

For the financial operations under CIP, the results of the ex-post audits show that the detected error rates calculated over the last years are increasing. As it is expected that the 2% residual error rate target at the end of the programming period for CIP ICT PSP will not be attained, a reservation is made.

4.2 Overall conclusion on assurance and reservations

nr	Title	Type	Amount at risk 2014	ABB/activity amount concerned i.e. scope 2014
1	Reservation concerning the rate of the residual errors with regard to the accuracy of cost claims in the Seventh Research Framework Programme (FP7).	Financial	39,7 MEUR*	873,5 MEUR*
2	Reservation concerning the rate of the residual errors with regard to the accuracy of cost claims in the ICT Policy Support Programme (PSP) of the Competitiveness and Innovation framework Programme (CIP).	Financial	2,99 MEUR	92,9 MEUR

* budget of DG CONNECT entrusted to AAL, Artemis, ENIAC, Ecsel as well as the relevant cross subdelegations (RTD) is considered for the calculation of the amount at risk for the FP7 reservation

1. Reservation concerning the rate of the residual errors with regard to the accuracy of cost claims in the Seventh Research Framework Programme (FP7).

DG	DG CONNECT
Title of the reservation, including its scope	Reservation concerning the rate of the residual errors with regard to the accuracy of cost claims under the Seventh Research Framework Programme (FP7).
Domain	Grants in the Seventh Research Framework Programme.
ABB activity and amount affected (="scope")	FP7 payments made by DG CONNECT in 2014 (09.04.51) including the budget of DG CONNECT entrusted to AAL, Artemis and ENIAC as well as the relevant crossed subdelegations (RTD) : 873,5MEUR(791,08MEUR+82,4MEUR) from the 1026 MEUR total for ABB 09.04.
Reason for the reservation	At the end of 2014, the corrected[12] residual error rate is not below the materiality threshold at the end of the multi-annual period.
Materiality criterion/criteria	The materiality criterion is the 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 (still) be made.
Quantification of the impact (= actual exposure")	The maximum impact is calculated by multiplying the residual error rate in favour of the Commission by the amount of FP7 interim and final payments based on cost statements authorised in 2014 by DG CONNECT plus the amount of the pre-financing expenditure cleared in 2014. The Representative Error Rate for 2014 is 2,76% but will still develop as a significant number of cases are still subject to contradictory procedures with the beneficiaries. Based on the expected result of audits that are not yet closed, it is estimated that this error rate will finish at around 5%. The Residual Error Rate of 1,89% is corrected to 3%. The estimated amount at risk is 39,7 MEUR. (39,7MEUR=3%*1323MEUR)
Impact on the assurance	Legality and regularity of the affected transactions, i.e. exclusively payments made against cost claims (interim payments and final payments). The assurance is affected within the scope of the quantified budgetary impact (the net amount at risk estimated at 39,7 MEUR).
Responsibility for the weakness	The main reason for errors is : -the complexity of the eligibility rules as laid down in the basic acts decided by the Legislative Authorities, based on the reimbursement of actual eligible costs declared by the beneficiaries; -the fact that there are many thousands of beneficiaries making claims, and not all can be fully controlled. The different control provisions set out by the Commission services, along with the audit certificates on financial statements and ex-post audits, can mitigate these risks to a certain extent, but can never be carried out on 100% of the cost claims received.
Responsibility for the corrective action	The possibilities to simplify the FP7 rules have been exhausted, although there is some evidence that the simplification measures introduced in 2011 have had a positive impact on the error rate. The remaining scope to reduce errors will be addressed in particular through the following actions: -continuing the on-going efforts to give guidance and feedback to the participants and certifying auditors to prevent errors occurring; -continuing with the control and audit work in order to further reduce the FP7 residual error rate.

[12] Because of the significant impact of the partial results of the second Common Representative audit Sample on the residual error rate by the end of the exercise, DG CONNECT considers that the estimated residual error rate gives a more reliable picture for the 2014 expenditure. This will be used for the reservation.

FP7 reservation

For FP7, the representative error rate from the Common Representative audit Sample, based on 261 results out of a sample of 324, is 2,76%. As this figure is a partial result of the CRAS, DG CONNECT prefers to refer to an estimated maximum of 5% of detected error rate, as this is likely to give a more reliable picture of the error rate in the implemented expenditure.
The Residual Error Rate based on the CRAS is 1,89%, corrected (for the reasons discussed above) to an estimate of 3%, which is considered to give a more reasonable picture.
The estimated amount at risk is 39,7 MEUR.
Taking into account the FP6 experience, and the need to balance legality and regularity with other objectives such as the attractiveness and the success of EU research policy, international competitiveness, scientific excellence, the wish to encourage participation of SMEs and the costs of controls, it is not expected that by the end of the programming period the Residual Error Rate will be below the materiality threshold defined in **Annex 4** 'Materiality Criteria'. For that reason, DG CONNECT maintains the reservation for FP7.

Action plan to address the reservation for FP7

The following framework conditions need to be borne in mind when considering remedial actions to further reduce the error rate under FP7. These were set out in more detail in the 2012 AAR, and will continue to be applied:

A. Legal Framework

The first projects for Horizon 2020 are already up and running, all of the contracts have been already signed under FP7, so further modification of the legal framework for FP7 is no longer an option. Over the course of FP7, however, the Commission has attempted to simplify the system within the existing legal framework, for example the simplification measures adopted on 24 January 2011 (Decision C (2011) 174).
Horizon 2020 includes a radical simplification of the legal framework for the Framework Programme for Research and Innovation (2014-2020), in order to meet the expectations of both stakeholders and legislative authorities.

B. Guidance to beneficiaries and certifying auditors

2014 saw the continuation of a communication campaign targeting beneficiaries and certifying auditors, based on a document setting out the 10 most common causes of error. Guidance was given to beneficiaries at a number of different events involving coordinators, participants and finance specialists, for FP7 but also for Horizon 2020 (around 750 participants in 11 specific events).
"Coordinators' day" events were organised twice with a total of 1337 participants. They mainly aimed the presentation of the new framework programme H2020, but a section on "how to avoid errors", also covering FP7, was also included. This can have a positive impact on the ongoing FP7 cost claims, as some of the errors and most of the beneficiaries are common for the two programmes.
This is in addition to the possibilities that already exist for participants to ask for guidance – for example the Research Enquiry Service and the National Contact Points.

C. *Continued control and audit*

The Common Audit Service (CAS) will carry out an appropriate number of ex-post audits based on cost-effectiveness considerations, as referred to above, together with the subsequent recovery actions to ensure a further reduction of the residual error rate. However, it cannot greatly extend its audit campaign without adversely affecting the other objectives of the research programme (attractiveness, reduction of administrative burden, widening, etc.)

Within these framework conditions and constraints, the remaining scope to reduce errors will be

addressed by DG CONNECT through the following actions:

- Continuing its on-going efforts to give guidance and feedback to the participants and certifying auditors to prevent errors occurring;
-Continuing its control and audit work in order to further reduce the FP7 residual error rate (CAS)
-A second representative audit sample has been defined for the research family (audits started by April 2014) in order to refine/update the representative error rate for FP7.

2. Reservation concerning the rate of the residual errors with regard to the accuracy of cost claims in the ICT Policy Support Programme (PSP) of the Competitiveness and Innovation framework Programme (CIP).

DG	DG CONNECT
Title of the reservation, including its scope	Reservation concerning the rate of the residual errors with regard to the accuracy of cost claims in the ICT Policy Support Programme (PSP) of the Competitiveness and Innovation framework Programme (CIP).
Domain	Direct management grants in the Competitiveness and Innovation framework Programme (CIP)
ABB activity and amount affected (="scope")	CIP ICT PSP payments made by DG CONNECT in 2014 (09.04.53.01-92,9MEUR from the 1026 MEUR total for ABB 09.04)
Reason for the reservation	At the end of 2014, the residual error rate is above the materiality criterion at the end of the multi-annual period. Further, the cumulative residual error rate is of 2,94%.
Materiality criterion/criteria	The materiality criterion is the 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 (yet) 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 maximum impact is calculated by multiplying the residual error rate in favour of the Commission by the amount of interim and final payments based on cost statements authorised in 2014 by DG CONNECT plus the amount of the pre-financing expenditure cleared in 2014. The Cumulative Error Rate for 2014 is 3,12%, while the Residual Error Rate is 2,94%. The estimated amount at risk for 2014 payments is 2,99 MEUR. (2,99MEUR=2,94%*101,8MEUR) However, given the low number of audits used to determine the cumulative and the residual error rates (18 ex-post audits covering 10,9 MEUR representing 1,6% of the requested EU contribution), the above mentioned error rates should be considered with caution. Nevertheless, considering that the detected error rates calculated over the last years (5,29% in 2014, 2,82% in 2013) are increasing, it is expected that the 2% residual error rate target at the end of the programming period for CIP will not be attained.
Impact on the assurance	Legality and regularity of the affected transactions, i.e. exclusively payments made against cost claims (interim payments and final payments). The assurance is affected within the scope of the quantified budgetary impact (the net amount at risk estimated at 2,99 MEUR).
Responsibility for the weakness	The Legislative Authorities for the funding rules in the basic acts which are complex, the beneficiaries and the certifying auditors for the incorrectness of cost claims and audit certificates, and the Commission services for the management and control systems in place.
Responsibility for the corrective action	The first projects for Horizon 2020 are already up and running and that all of the contracts have been already signed under CIP, so further modification of the legal framework is no longer an option. Horizon 2020 includes a radical simplification of the legal framework, in order to meet the expectations of both stakeholders and legislative authorities. However, in order to further reduce the residual error rate of CIP ICT PSP, DG CONNECT will continue carrying out ex-post audits in line with the non-research ex-post control strategy (42 audits have already been launched in 2014) and will continue its efforts to give guidance and feedback to the participants and certifying auditors to prevent errors occurring.

CIP ICT PSP reservation

For CIP, the cumulative error rate is based on 18 audits covering 10,9 MEUR, 1,6% of the claimed amounts. The resulting error rates should therefore be considered with caution. In 2014, only 5 new audits could be considered to calculate the error rates as most of the audits closed were those which had been decided on basis of a risk analysis and which results are therefore not representative. In 2014, 42 new non risk-based CIP audits were launched which should enable to increase the sample for the error rate calculation in 2015. In 2015, it is also foreseen to launch non-risk based audits.

Even if not representative, the detected error rates calculated over the last years does not decrease. Taking into account that all measures decided to lower the error rate for FP7 have also been applied for the CIP and considering the need to balance legality and regularity with other objectives such as the attractiveness of the programme, cost of control, etc, it is not expected that by the end of the programming period the Residual Error Rate will be below the materiality threshold defined in Annex 4 'Materiality Criteria'. For that reason, DG CONNECT makes a reservation for CIP ICT PSP.

Action plan to address the reservation for CIP ICT PSP

As for FP7, it should be noted that the first projects for Horizon 2020 are already up and running and that all of the contracts have been already signed under CIP, so further modification of the legal framework is no longer an option.

Horizon 2020 includes a radical simplification of the legal framework for the Framework Programme for Research and Innovation (2014-2020) which integrates CIP, in order to meet the expectations of both stakeholders and legislative authorities.

However, in order to further reduce the residual error rate of CIP ICT PSP, the DG will continue carrying out ex-post audits in line with the non-research ex-post control strategy (42 audits have already been launched in 2014) and will continue its efforts to give guidance and feedback to the participants and certifying auditors to prevent errors occurring.

Overall Conclusion

The table below shows the calculation of the weighted average error rate which gives an estimate of the overall risk relating to the legality and regularity of the underlying transactions.

In case that a specific risk of error rate is not available for a category of expenditure, the average risk of error and amount at risk is presented as a range.

The resulting amount at risk is the AOD best, conservative estimation of the amount of expenditure authorised not in conformity with the applicable contractual and regulatory provisions at the time the payment is made for the year. As 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, it is disclosed along the average recoveries and financial corrections implemented since 2009, as this is the best available indication of the corrective capacity of the ex-post control systems implemented by the DG.

It should be noted that this overall presentation does not change the calculation of residual error rates to decide whether to qualify the declaration of assurance with reservations, whenever foreseen in their specific materiality criteria.

	Payments in million euro	Average Error Rate (AER; %) Between … and …	Amount at risk in million euro Between … and ...
1-Direct Management			
H2020	42,13	0%	0
FP7	791,08	3,5 - 5%	27,69 - 39,55
CIP	92,92	3,1%	2,90
Other	86,00	0,1 - 0,66%	0,09 - 0,57
TOTAL	**1.012,12**	**3,0 - 4,3%**	**30,68 - 43,02**
2- Cross subdelegations			
	6,74	0,8 - 1,7%	0,05 - 0,11
TOTAL	**6,74**	**0,8 - 1,7%**	**0,05 - 0,11**
3- Indirect Management			
	108,45	2,9% - 4,3%	3,14- 4,64
TOTAL	**108,45**	**2,9%-4,3%**	**3,14 - 4,64**
GRAN TOTAL	**1.127,31**	**3,0%-4,2%**	**33,87 - 47,77**

In view of the control results and all other relevant information available, the AOD's best estimation of the weighted average error rate relating to the legality and regularity for all DG CONNECT's expenditure authorised during the reporting year lies between 3,0% and 4,2%. The resulting best, conservative estimation of the amount at risk lies between 33,87 MEUR and 47,77 MEUR. The corrective capacity has been estimated at 1,5% of the expenditure which would imply an estimated 16,91 MEUR of potential correction on the 2014 payments.

It is concluded that the estimated residual error rate remains above 2% and is mainly due to the error rates in the expenditure of the CIP ICT PSP and FP7 programmes for which reservations have been made.

Considering that a simplification of the existing legislative framework for FP7 and CIP 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.

However, with regard to the other type of expenditure, 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 CONNECT provide sufficient assurance to adequately manage the risks relating to the legality and regularity of the underlying transactions. Furthermore, it is also possible to conclude that the internal control systems provide sufficient assurance with regards to the achievement of the other internal control objectives.

DECLARATION OF ASSURANCE

I, the undersigned, Robert Madelin,

Director-General of the Communication Networks, Content & Technology Directorate-General

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view[13].

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

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex-post controls, the work of the internal audit capability, 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:

Reservations concerning the rate of residual errors with regard to the accuracy of costs claims for grants in the 7th Research Framework Programme and the ICT Policy Support Programme (PSP) of the Competitiveness and Innovation framework Programme (CIP).

Brussels,

[signed in ARES]

Robert Madelin

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