



**2015**

# **Annual Activity Report**

**Executive Agency for  
Small and Medium-sized  
Enterprises (EASME)**



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# INTRODUCTION:

## The EASME in brief

Executive Agencies are established by the Commission in accordance with Council Regulation (EC) No 58/2003<sup>1</sup> with the purpose of delegating certain tasks relating to the management of Union programmes, including budget implementation. This enables the Commission to focus on its core activities and to dispose of sufficient technical expertise for the management of such programmes with the goal to achieve a more efficient implementation.

The Executive Agency for Small and Medium-sized Enterprises (EASME)<sup>2</sup> is entrusted with the management of parts of the following Union programmes:

- the Framework Programme for Research and Innovation (Horizon 2020) 2014-2020;
- the Programme for the Competitiveness of Enterprises and small and medium-sized Enterprises (COSME) 2014-2020;
- the Programme for the Environment and Climate Action (LIFE) 2014-2020;
- the European Maritime and Fisheries Fund (EMFF);
- the legacy of the Competitiveness and Innovation Programme (CIP) 2007-2013 limited to the following parts<sup>3</sup>: "Intelligent Energy Europe Programme (IEE II)" and the "Eco-innovation initiative".

The Agency's mission statement is as follows: ***'We provide high quality support to our beneficiaries, turning EU policy into action. As an executive agency of the European Commission, we manage significant parts of COSME, LIFE, Horizon 2020 and EMFF. We ensure that actions funded by these programmes deliver results and provide the Commission with valuable input for its policy tasks'***.

The Agency has its own legal identity and its tasks are specified in the Act of Delegation<sup>4</sup>. This means that EASME implements the delegated programmes autonomously with the Director acting as Authorising Officer by Delegation (AOD). EASME, like the other Executive Agencies, implements the **EU programme budgets** under **direct management** (Article 58.1a and 62.2 of the general financial regulation). To this end, the Agency mainly awards grants through open calls for proposals while a small, but increasing share of the programmes' budgets is also implemented through procurement contracts.

The Agency has its own **administrative budget** for which it receives from the EU an annual subsidy (in 2015: 36,388 million EUR). The administrative budget covers the running costs of the Agency, mainly staff expenditure, office related costs, IT and other services. The EASME's Director is the authorising officer (AO) for this budget. He implements it under **direct management**.

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<sup>1</sup> Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes (OJ L 11 of 16.01.2003).

<sup>2</sup> Following the establishment of the Intelligent Energy Executive Agency (IEEA) by Commission Decision 2004/20/EC of 23 December 2003 (OJ L 5 of 9.01.2004), the Commission decided to transform the IEEA into the EACI (Commission Decision 2007/372/EC of 31 May 2007 amending Decision 2004/20/EC (OJ L 140 of 1.06.2007). End 2013, the EACI was replaced and succeeded by the EASME (Commission Implementing Decision C(2013)/771/EU) of 17 December 2013 establishing the 'Executive Agency for Small and Medium-sized Enterprises' and repealing Decisions 2004/20/EC and 2007/372/EC). The related Act of Delegation (Commission Decision C(2013)9414 delegating powers to the Executive Agency for Small and Medium-sized Enterprises with a view to performance of tasks linked to the implementation of Union programmes in the field of energy, environment, climate action, competitiveness and SMEs, research and innovation and ICT, comprising, in particular, implementation of appropriations entered in the general budget of the Union) - hereinafter referred as Act of Delegation - was adopted on 23 December 2013.

<sup>3</sup> As from 2014 the new calls for "Enterprise Europe Network", "Your Europe Business Portal", the "European IPR Helpdesk" and the "IPorta Project" are included under umbrella of the COSME programme.

<sup>4</sup> Commission Decision C(2013)9414 of 23 December 2013.

EASME operates under full control of the Commission: it reports to the Directors-General of the parent Directorates-General (DGs) and to the Steering Committee, on the performance of the tasks assigned to the Agency. The Agency implements delegated tasks in close cooperation with its seven parent DGs: (1) DG for Internal Market, Industry, Entrepreneurship and SMEs, (2) DG for Research Science and Innovation, (3) DG for Communications Networks, Content and Technology, (4) DG for Climate Action, (5) DG for Energy, (6) DG for Environment and (7) DG for Maritime Affairs and Fisheries.

In addition to the above-mentioned stakeholders, the Agency works closely with other partners such as the Common Support Centre for Horizon 2020, logistic and administrative support services provided by REA and an external contractor for certain tasks under the LIFE programme.

The Agency's current organisational structure follows the objectives and tasks of the Agency. By the end of 2015 the Agency counted 373 staff that belong to one of the 8 units and 3 departments of the Agency. The accounting officer as well as the ex-post-, legal and internal control team is attached directly to the Head of Department Finance and Administration. With an enlarged portfolio of delegated tasks and a **more than six times increased budget**, compared to the previous mandate<sup>5</sup>, it is envisaged that the Agency will grow to 502 staff by 2020.

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<sup>5</sup> The budget for programmes 2007-2013 was: EUR 1,7 billion; budget for 2014-2020: EUR 10, 9 billion

# The year in brief

2015 was the year in which the Agency – after a further steady growth – was heading towards cruising speed. Indeed, as from 2015 onwards, the Agency is responsible for the full project cycle of the delegated programmes, following the end of the 2014 transitional

The first year results of the implementation of the delegated programmes are positive, as they have attracted a remarkably high number of proposals. This is an indication that the programmes meet the expectations and needs of the beneficiaries.

measures (in-house management by parent DGs of certain phases of the project cycle) and the kick-off of the projects which were selected and contracted under the new programmes in 2014. Not only did the variety of tasks within its existing portfolio grow, the Agency's mandate itself was expanded to include a new pilot scheme, the **Fast Track to Innovation**. Building upon its experience with running the SME-instrument, the Agency launched successfully this new scheme.

Despite some difficulties to meet the target of the time to grant, the success experienced in launching the SME instrument and the new Fast Track to Innovation is particularly noteworthy as it gave SMEs a clear potential of **rapid growth** and internalisation of their commercial ambitions, especially when compared with previous instruments. Estimations coming from the first funded projects show that the implementation of projects' business ideas is expected to bring in the EU several thousand new jobs by 2020 and significant revenues.

A similar success is expected from other new programmes. For instance, the support from "research to retail" in the area of energy efficiency under the Horizon 2020 (H2020) Challenge "Secure, clean and efficient energy" is very promising. There is a very high interest in the Energy Efficiency calls among the applicants.

The Agency is also managing around 390 projects under the Intelligent Energy Europe (IEE) and Eco-Innovation programmes. This 'legacy work' not only requires a close project monitoring but also continued efforts in providing feedback on the results of these projects.

*The first results the H2020 Energy Efficiency 2014 Call: The market uptake projects alone are expected to trigger more than 100.000 toe/year energy savings.*

The above-mentioned increase in

In 2015, the Agency launched 54 selection procedures for all types of posts and level of responsibilities. More than 3000 CVs were screened and over 850 interviews were conducted.

tasks was reflected by a further increase in the Agency's staff numbers. By the end of 2015, staffing figures amounted to 373 which represents a more than 30 % increase, compared to the beginning of 2014, when EASME's mandate started.

Maintaining the success of previous years, the Agency organised two **major events** during the year: the Enterprise Sustainable Energy Week (EUSEW)<sup>6</sup> in June 15-19 and the Annual Conference of the Enterprise Europe Network (EEN) in June.

The EUSEW High Level Policy Conference included a three-day conference in Brussels which attracted almost 2 700 participants. The conference has become the EU's premier event for public authorities, energy agencies, private companies, NGOs and industry associations engaged in helping to meet the EU's energy and climate goals. EUSEW 2015

<sup>6</sup> It is the premier event for public authorities, energy agencies, private companies, NGOs and industry associations engaged in helping to meet the EU's energy and climate goals. It features activities dedicated to energy efficiency and renewable energy solutions in Europe and around the world

was an excellent opportunity to publicise the IEE and H2020 energy efficiency projects. Several of them organised an event on this occasion (e.g. Concerted Action on the Energy Efficiency Directive). For the awards competition 373 projects were submitted, 27 nominated and 3 received prizes.

ecoGator – one of the winners of EUSEW award - is the not-for-profit app providing independent shopping advice to help to snap up the most energy efficient TVs, white goods and lighting. ecoGator is the only smartphone app capable of scanning the colourful European A-G energy labels through a phone camera

Similar success was reflected at the EEN Annual Conference held in Brussels which attracted more than 800 participants from 57 countries. At the end of the conference 94 % of the conference delegates expressed their full satisfaction on the organisation, information and advice they collected and shared. As to its impact, the interactive badges used during the conference registered more than 21 000 interactions between participants. EASME

facilitated more than 900 informal business meetings and delegates made an average of 26 new contacts.

Three info days for H2020 Energy and Environment & Resources were attended by close to 2 000 participants on site and several hundred online, learning more about upcoming calls for proposals. These events were very successful and had a very high satisfaction rate.

# EXECUTIVE SUMMARY

The Annual Activity Report is a management report of the Director of EASME 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 work programme and efficiency and effectiveness of internal control systems, including an overall assessment of the costs and benefits of controls.

## Policy highlights of the year

In 2015, the Agency continued to ensure an efficient delivery of programmes, being in full compliance with the principles of sound financial management. The operational **budget** was fully implemented, while the implementation of the administrative budget was committed for 99%, payment implementation amounted to 84%.

The maximum time to grant of the programmes managed by the Agency brought different results. The average **time to grant**<sup>7</sup> for the Horizon 2020 (except the SME Instrument) programmes was within the target: 239 compared to the 245 targeted. As well for the European Maritime and Fisheries Fund, the target of maximum 274 days has been successfully met: 205 days. As regards the COSME programme, the target of 274 days was met within 228,5 days.

The maximum time to grant<sup>8</sup> for the LIFE programme was slightly above the target: 296 instead of the 274 targeted.

As regards the SME Instrument, the time to grant the SME Instrument (calls 2014 and 2015 phase 1) the planned 90 days proved too ambitious for the begin of the implementation, resulting into 202 days. For the calls 2014 and 2015 (Phase II) the result is 294 days. EASME experienced temporary difficulties in the beginning of the new programme, mainly due to its success: high amount of the first time applicants had to go through time consuming legal entities validation process. In addition, the newly launched IT tools were not always fully functional and had to be adapted to the needs of the agency. *It should be noted that the H2020 SME unit handles approximately one quarter of all the H2020 applications.*

*The Immunovia AB company received SME support and afterwards was accepted for trading on the Nasdaq First North in Stockholm. The company's CEO said: "The SME instrument has been a decisive financial and confidence support to convince investors to subscribe to our share issue this year (2015) required to entry in the market in US and EU.*

Despite this high number of applications, the current results of the implementation of the delegated programme are very positive. The Agency managed to finalise 80% of all Phase 1 grants for the March cut-off within 95 days and more than 90% of all Phase 2 grants for the same cut-off within 170 days (below 6 months).

The initial results of launching the first calls of the programmes are positive and show a great interest from SMEs across Europe. For instance, estimations coming from the first funded projects of the SME Instrument show that for the supported SMEs the cumulated turnover for the next 3 years will be EUR 5 billion and 7 500 jobs will be created.

For more detailed information please see part I of the report.

As regards **payment** times, 94% of all payments respect the legal time limits set up by the Financial Regulation. The difficulties to meet 100% target were mainly due to lack of payment credits at the beginning of the year and IT bugs.

<sup>7</sup> For more information please see annex 12

<sup>8</sup> Calculation is based on signature of the last, 160st grant agreement.

## Key Performance Indicators

In performing the tasks delegated to it, the Agency aims at the best possible performance. The following indicators measure the most critical aspects of the Agency's performance.

<b>Objective:</b> Implement the programmes delegated to the Agency efficiently and effectively with a view to contribute to the programmes' objectives																																		
<i>Key Performance Indicator</i>	<i>Target</i>	<i>Latest known results as per Annual Activity Report</i>																																
1. Time to grant	<ul style="list-style-type: none"> <li>• 3 months for SME-instrument-phase 1</li> <li>• 6 months for SME-instrument-phase 2</li> <li>• 8 months for H2020 calls</li> <li>• 9 months for non-H2020 calls<sup>9</sup></li> </ul>	<table border="1"> <caption>Time to grant (months)</caption> <thead> <tr> <th>Category</th> <th>Target</th> <th>Result</th> </tr> </thead> <tbody> <tr> <td>COSME</td> <td>250</td> <td>230</td> </tr> <tr> <td>H2020 Energy</td> <td>250</td> <td>220</td> </tr> <tr> <td>H2020 Envir</td> <td>250</td> <td>250</td> </tr> <tr> <td>H2020 Phase I SME-Instr.</td> <td>100</td> <td>210</td> </tr> <tr> <td>H2020 Phase II SME-Instr.</td> <td>180</td> <td>300</td> </tr> <tr> <td>H2020 - Innov - SME's</td> <td>250</td> <td>250</td> </tr> <tr> <td>Non H2020 LIFE</td> <td>280</td> <td>300</td> </tr> <tr> <td>Non H2020 EMFF</td> <td>280</td> <td>210</td> </tr> </tbody> </table>	Category	Target	Result	COSME	250	230	H2020 Energy	250	220	H2020 Envir	250	250	H2020 Phase I SME-Instr.	100	210	H2020 Phase II SME-Instr.	180	300	H2020 - Innov - SME's	250	250	Non H2020 LIFE	280	300	Non H2020 EMFF	280	210					
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2. Time to pay	100% of payments within legal deadlines	<table border="1"> <caption>Time to pay (%)</caption> <thead> <tr> <th>Category</th> <th>Target</th> <th>Result</th> </tr> </thead> <tbody> <tr> <td>COSME</td> <td>100%</td> <td>96%</td> </tr> <tr> <td>H2020 Energy</td> <td>100%</td> <td>95%</td> </tr> <tr> <td>H2020 Envir</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>H2020 Phase I SME-Instr.</td> <td>100%</td> <td>91%</td> </tr> <tr> <td>H2020 Phase II SME-Instr.</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>H2020 - Innov - SME's</td> <td>100%</td> <td>91%</td> </tr> <tr> <td>Non H2020 LIFE</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>Non H2020 EMFF</td> <td>100%</td> <td>94%</td> </tr> </tbody> </table>	Category	Target	Result	COSME	100%	96%	H2020 Energy	100%	95%	H2020 Envir	100%	100%	H2020 Phase I SME-Instr.	100%	91%	H2020 Phase II SME-Instr.	100%	100%	H2020 - Innov - SME's	100%	91%	Non H2020 LIFE	100%	100%	Non H2020 EMFF	100%	94%					
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3. Budget execution	<p>Operational budget: 100 %</p> <p>Operating (Admin.) budget: 100 %</p>	<table border="1"> <caption>Budget execution (%)</caption> <thead> <tr> <th>Year</th> <th>Type</th> <th>Operational budget</th> <th>Administrative budget</th> </tr> </thead> <tbody> <tr> <td rowspan="2">2010</td> <td>commitments</td> <td>100</td> <td>95</td> </tr> <tr> <td>payments</td> <td>100</td> <td>90</td> </tr> <tr> <td rowspan="2">2012</td> <td>commitments</td> <td>100</td> <td>95</td> </tr> <tr> <td>payments</td> <td>100</td> <td>85</td> </tr> <tr> <td rowspan="2">2014</td> <td>commitments</td> <td>100</td> <td>90</td> </tr> <tr> <td>payments</td> <td>100</td> <td>75</td> </tr> <tr> <td rowspan="2">2015</td> <td>commitments</td> <td>100</td> <td>100</td> </tr> <tr> <td>payments</td> <td>100</td> <td>80</td> </tr> </tbody> </table>	Year	Type	Operational budget	Administrative budget	2010	commitments	100	95	payments	100	90	2012	commitments	100	95	payments	100	85	2014	commitments	100	90	payments	100	75	2015	commitments	100	100	payments	100	80
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4. Residual error rate in financial transaction	less than 2% of the total budget per programme	<table border="1"> <tbody> <tr> <td>IEE II</td> <td>1,0</td> <td>1,4</td> <td>1,9</td> <td>2,45</td> </tr> <tr> <td>Eco-I</td> <td>0,7</td> <td>0,5</td> <td>1,0</td> <td>1,46</td> </tr> </tbody> </table>	IEE II	1,0	1,4	1,9	2,45	Eco-I	0,7	0,5	1,0	1,46																						
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<sup>9</sup> The Financial Regulation foresees the possibility of an exception to the rule (Article 128.2) in case of too large subscription in response to a call for proposals. The Agency faced with an oversubscription of proposals in the LIFE programme (LIFE Call 2014), it considers the LIFE 2014 Call as an exception. Remedial action include a close follow-up of KPI on grant agreement signature. In addition, simplification of templates and forms will be introduced and an analysis of the external evaluation contract conducted together with providing additional training for the contractor.

s		EEN	2,0	1,5	1,8	1,67
<b>Objective:</b> Put in place, implement, maintain and report on an effective and reliable internal control system						
<i>Indicator</i>	<i>Target</i>	<i>Latest known results as per Annual Activity Report</i>				
5. Number of critical / very important accepted audit recommendations (made by ECA, IAS and IAC) overdue for more than six months	0	No critical or very important accepted audit recommendations were overdue longer than six months				

Table 1: KPIs

## Key conclusions on resource management and internal control

In accordance with the governance statement of the European Commission, the staff of EASME 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 has put in place the organisational structure and the internal control system 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.

EASME 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.

In addition, EASME has systematically examined the available control results and indicators, 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. Further details can be found in Part 2.

The multi-annual residual error rate was below 2% for CIP EEN and CIP Eco Innovation programmes managed by the Agency. The multi-annual residual error rate for the IEE II programme was above 2%, at 2.45%. Due to the relatively low number of payments on the IEE projects the impact of the IEE II amount at risk over the total payments performed by EASME is very limited. Mitigating actions have already been established aiming to reduce the multi-annual error rate also for the IEE II programme (for the details please see chapter 2).

The Agency did not have critical or very important audit recommendations overdue for more than six months.

In conclusion, EASME 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, in his capacity as Authorising Officer for the administrative budget and Authorising Officer by Delegation for the operational budget, has signed the Declaration of Assurance albeit qualified by a reservation concerning the CIP IEE II programme (Budget line: 32.04 53 00).

## Information to the Commissioners

The main elements of this report and assurance declaration, including the reservation envisaged, have been brought to the attention of the Agency's Steering Committee and to the parent Directors General, who have taken these into consideration in their reporting to Commissioner Mr Günther Oettinger, responsible for Digital Economy and Society, Commissioner Mr Carlos Moedas, responsible for Research, Science and Innovation, Commissioner Ms Elżbieta Bieńkowska, responsible for Internal Market, Industry, Entrepreneurship and SME, Commissioner Mr Miguel Arias Cañete, responsible for Climate Action and Energy and Commissioner Mr Karmenu Vella, responsible for Environment, Maritime Affairs and Fisheries.

# 1. KEY RESULTS AND PROGRESS TOWARDS THE IMPLEMENTATION OF THE AGENCY'S ANNUAL WORK PROGRAMME

## Specific objectives for operational ABB activities

The Agency is entrusted with the implementation of the following ABB activities:

- Programme for the Competitiveness of Small and Medium-sized Enterprises (COSME) (ABB activity 02.02)
- Framework Programme for Research and Innovation (Horizon 2020) – (ABB activities 02.04, 08.02, 09.04, 32.04)
- Programme for the Environment and Climate Action (LIFE) – (ABB activities 07.02 and 34.02)
- European Maritime and Fisheries Fund (EMFF) – (ABB activity 11.06)
- Intelligent Energy Europe Programme (legacy) (ABB activity 32.04)
- Eco-innovation first application and market replication projects (legacy) (ABB activity 02.04 and 02.02)

## 1.1 COSME and EEN legacy (ABB 02.02)

COSME<sup>10</sup> – the Programme for the Competitiveness of Enterprises and Small and Medium Enterprises (SMEs) is associated with strengthening the competitiveness and sustainability of the Union's enterprises and targeted towards encouraging an entrepreneurial culture to promote the creation and growth of SMEs. According to the legal basis, the overall indicative budget for the seven-year period of COSME (2014-2020) is EUR 2.3 billion. The 2015 budget amounted to EUR 280 million<sup>11</sup> out of which EASME received more than EUR 110 million to launch and implement about 70 actions. By the end of 2015, EASME was responsible for more than 140 actions.

In 2015, EASME supported DG Internal Market, Industry, Entrepreneurship and SME (DG GROW) in reaching the following specific objectives of COSME:

- I. To improve access to finance for SMEs in the form of equity and debt;
- II. To improve access to markets, particularly inside the Union but also at global level (EEN);
- III. To improve framework conditions for the competitiveness and sustainability of Union enterprises particularly SMEs, including in the tourism sector; and
- IV. To promote entrepreneurship and entrepreneurial culture.

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<sup>10</sup> Established by Regulation (EU) No 1287/2013 of the European Parliament and of the Council of 11 December 2013 establishing a Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME) (2014 - 2020) and repealing Decision No 1639/2006/EC.

<sup>11</sup> Commission Implementing Decision C(2014) 8044 final of 29 October 2014 concerning the adoption of the work programme for 2015 and the financing for the implementation of Programme for the Competitiveness of Enterprises and small and medium-sized enterprises.

**Improve access to finance for SMEs in the form of equity and debt**

The Agency organised three workshops on different themes (Supply Chain in May, Mid-Caps Award in July and Venture Capital in October). 45 experts participated actively in the meetings and gave feedback from the various stakeholders and users. The new ways to address the European and International challenges, which emerged after the financial crisis, were discussed.

DG GROW took the decision to re-allocate the budget for two planned studies *Access to capital markets* and *Capital relief guarantees for SMEs* to the Loan Guarantee Facility. Therefore, no action was undertaken by EASME on those two projects.

In addition, following the signature of the Memorandum of Understanding on IT activities, the action related to the web portal was transferred to DG GROW.



**Improve access to markets, particularly inside the Union but also at global level (EEN)**

Calls for proposals		
Planned for 2015	Published in 2015	Name of call
2	2	<ul style="list-style-type: none"> <li>✓ Support to internationalisation: cooperation with national agencies</li> <li>✓ EU-Japan Centre for industrialisation (ad-hoc grant)</li> </ul>
Calls for tenders		
2	2	<ul style="list-style-type: none"> <li>✓ Filling the gap on SME internationalisation</li> <li>✓ Exchanges of good practices in the area of compliance assistance and compliance schemes</li> </ul>

Table 2: Overview of calls for COSME

**Grants**

The Agency launched early 2015 the call for proposals for support to internationalisation dedicated to the European Trade Promotion Agencies. The call was designed in three different strands. At the end of the evaluation process, the Agency signed two agreements, which cover two strands. For one strand the consortium started its activities on 1 September and is currently being implemented. The second project, which should support B2B meetings in relation to Missions for Growth, will start early 2016.

The ad-hoc grant to the EU-Japan Centre for Industrialisation in 2015, with the aim of facilitating industrial cooperation between the EU and Japan was awarded in due time and the action is being implemented since 1 April 2015.

## Procurement

The call on *Increasing SME readiness to internationalise* (formerly referred to as "Filling the gap on SME internationalisation") was published by the end of 2015; the contract will be signed in 2016.

The action *Tax compliance study* started under a tender procedure and the renewal of the contract for the "Your Europe" portal was signed.

The Agency launched a tender in order to sign a framework contract on international policy cooperation. However, DG GROW decided to re-allocate part of the budget from the planned actions within the framework contract on international policy cooperation to other programme priorities and only the scoping exercise action remains in place. This action will

be launched in 2016 due to the late signature of the framework contract in international policy cooperation. DG GROW postponed to 2016 and increased the budget for the action *Support the presence of EU SMEs in major trade fairs*.



*Participants of the EEN Annual Conference in Brussels Autoworld.*

Finally, a specific contract to conduct a study on *Investment needs and obstacles across a value-chain* was signed late 2015. The results of the study are expected next year.

### *Support to Enterprise Europe Network activities*

The Agency finalised the signature of all Framework Partnership Agreements (FPA) and Specific Grant Agreements (SGA). In addition, EASME launched the second call for proposals for the signature of FPAs and subsequent SGAs for regions not already covered at the end of the evaluation of the first call or countries newly associated to COSME.

The Enterprise Europe network (EEN) is now fully in operation. The governance structures were revamped and the representatives of the Network consortia have now a more active role. That allows a better participative approach and interaction between the Agency, DG GROW and the Network in meetings of the steering and advisory group. The Network submitted its contribution to the planned inception survey, which is now completed. The Agency will publish early January 2016 a summary report with the results.

*The recent evaluation of the impact of the EEN 2008-2014 confirms that the network has created a substantial value added in the period 2008-14: "This would not have been created otherwise by Member States alone". The Network has brought together more than 600 Partners and their joint effort has helped SMEs to increase their innovation capacity and successfully extend their business into the EU and worldwide Market. As a result, the Network's client SMEs reach growth figures that are significantly above the benchmark figures.*

The international dimension of the EEN was reinforced: 31 consortia from 29 different countries constituted a Business Cooperation Centre (BCC) Network. The Agency organised two kick-off meetings in April and October with the participation of a total of 100 participants. A new cut-off date for submission of applications from new countries took place on 15 December.



*EDEN Award Ceremony*

The Annual Conference, which launched the second cycle of 7 years of operations of the EEN, took place in June 2015 and gathered during two intensive days of meetings, workshops and networking opportunities more than 800 participants from 57 countries. At the end of the conference 94 % of the conference delegates expressed their full satisfaction on the organisation, information and advice they collected and shared.

On top of all activities and actions planned in the COSME Work Programme in 2015 the Agency performed also actions under the Support measures such as:

- Cluster Stakeholder Workshops; 2 workshops in September and November in Brussels: participation of 25 experts
- European Business organisations; 2 meetings in June Brussels and November in Beijing, China: participation of 50 experts
- Social Entrepreneurship EU: Conference; in December in Luxembourg: 300 participants
- European Smart and Living City: Conference in December in Luxembourg: 340 participants
- Regional Integration in the Area of Defence: 2 seminars in June in Bordeaux and in October Seville: 200 participants.

### **Improve framework conditions for the competitiveness and sustainability of Union enterprises particularly SMEs, including in the tourism sector (COSME)**

Calls for proposals		
Planned for 2015	Published in 2015	Name of call
9	8	<ul style="list-style-type: none"> <li>✓ Collection for statistics in family business</li> <li>✓ Design-based consumer goods I</li> <li>✓ Design-based consumer goods II</li> <li>✓ Encouraging tourism flows of seniors and youth target groups</li> <li>✓ Promoting transnational thematic tourism products</li> <li>✓ European Destinations of Excellence – awareness raising and promotion 2015</li> <li>✓ Improving facilities and services for disabled, families, elderly</li> <li>✓ Promotion of Europe as a tourist destination as well as of its diverse destinations – cooperation with European Travel Commission (ad-hoc grant)</li> </ul>
Calls for tenders		
3	3	<ul style="list-style-type: none"> <li>✓ Access of SMEs to KETs technological platforms</li> <li>✓ The European Resource Efficiency Excellence</li> <li>✓ Bio-based product markets</li> </ul>

Table 3: Overview of calls for COSME

## Calls for proposals

During the year the Agency launched and finalised the evaluation of 6 calls for proposals. DG GROW decided to implement one call for proposals in-house, namely the *Corporate Social Responsibility risk check tool* and changed, during the revision of the COSME 2015 WP the implementation mode of the action *Access of SMEs to KETs technological platforms*.

In the meantime, the call for proposals *Design-based consumer goods* did not succeed in using the total budget assigned to the action and the Agency re-started a second call for proposals by the end of 2015.

Due to the fact that the 2014 call for proposals *Cluster Excellence* was re-published, evaluated, awarded and signed in 2015, the planned 2015 call for proposals will be published early 2016.

The Agency signed also the planned ad-hoc grant with the European Travel Agency. Unfortunately, due to the fact that the UNWTO is an international organisation and cannot agree with some EASME' obligatory contractual clauses, the action was transferred to DG GROW.

*The participants of the EYE 2014 call intend to organise **more than 2000** relationships between Host Entrepreneurs and new Entrepreneurs. At the end of 2015 we count already **more than 700** relationships validated. The network is now at full speed and figures received are encouraging.*

## Calls for tenders

The Agency launched the two planned 2015 calls for tenders and the action *Access of SMEs to KETs technological platforms* is under preparation.

The extension of the contract for the "*Implementation of the action plan "construction 2020"*" was postponed to 2016. The monitoring of the current contract demonstrates that some performances of the current contractor should be improved. The Agency will adapt the renewal conditions.

Three actions were launched with specific contracts under a Framework Contract (FWC). Meanwhile, DG GROW took the decision not to delegate three actions with regards to European Competiveness as well as the action "*Outreach tool*" due to some administrative arrangements to which EASME has no access.

The Agency organised the European Fair for social enterprises in Bulgaria and the European tourism Forum in Luxembourg, as planned.

During the Milan EXPO under the auspices of the European Tourism Week the Agency organised several workshops and events like:

- 28 September - high level conference with first Vice President of the European Parliament, Mr. Tajani (200 participants);
- 28 September - Food&Wine Tourism B2B event (60 participants);
- 29 September - Chocolate Way, nomination of "October 1st World Cocoa Day" (65 participants);
- 29 September - European Region of Gastronomy Award Ceremony (the European Region of Gastronomy 2017 Award Ceremony and the European Region of Gastronomy 2016 Programmes were unveiled) (75 participants);
- 30 September - Euomeeting 13<sup>th</sup> edition " For a competitive Europe in the tourism sector, promoting land, culture and food" with Mr Giancarlo Caratti di



Lanzacco, EC JRC, Deputy Commissioner General for Expo Milan 2015 (90 participants).

The EDEN event in December organised close to the European Tourism Day gathered more than 550 participants during the two days. At this occasion meetings between EDEN beneficiaries and stands of winning regions realised a lot of attention and visibility.

### Promote entrepreneurship and entrepreneurial culture (COSME)

Calls for proposals		
Planned for 2015	Published in 2015	Name of call
1	1	✓ Erasmus for young Entrepreneurs
Calls for tenders		
Planned for 2015	Published in 2015	Name of call
2	2	<ul style="list-style-type: none"> <li>✓ Women's Entrepreneurship: e-platform for female entrepreneurs</li> <li>✓ Digital Entrepreneurship (awareness raising campaign)</li> </ul>

Table 4: Overview of calls for COSME

The Agency published and finalised the evaluation of the call *Erasmus for Young Entrepreneurs* (EYE) and started the grant agreement phase after the selection of potential beneficiaries. The actions will start on 1 February 2016.

The two tenders planned for 2015 were launched successfully and it is to be noted that the *Digital Entrepreneurship awareness raising campaign* action did not request any further specific contract as mentioned in the Annual WP of the Agency and the action *Eurobarometer on Entrepreneurship* was cancelled.

### ***Example of EU-added value of the COSME programme***

#### European Entrepreneurship Education NETwork<sup>12</sup>

Today the European Entrepreneurship Education NETwork (EE-HUB) project launched under the COSME 2014 WP is a champion among other COSME actions. It was providing deliverables of the highest quality, and running a transparent project monitoring policy. The EE-HUB is a nexus for entrepreneurship education in Europe bringing together organisations, networks and individuals from both the public and private sectors with the objective to increase participation in entrepreneurship education in school systems across Europe.

Regarding the project itself, in its first 9 months EE-HUB performed impressively creating a range of reference materials, good practices, online resources as well as launching a communication campaign. The 39 experts involved come from ministries of education, universities, research bodies, NGOs and European institutions.

Notably, the already 22 Members of the European Parliament are the EE-HUB Ambassadors have committed to endorse and promote the recommendations of EE-HUB through their policy work. Thanks to a well organised information campaign, this number is set to grow further.

#### European Destinations of Excellence (EDEN)

EASME cooperated successfully with DG GROW to exploit the results of the 2014 EDEN call and organise the related EDEN visibility events that took place in Brussels in December 2015: the EDEN exhibition, where each winning destination could present its tourism offer and exhibit its specific local gastronomy products and the EDEN Awards Ceremony where all 20 winning destinations were awarded a prize.

The EDEN initiative recognises and promotes sustainable tourism models developed by the winning destinations across Europe. The EDEN Awards are helping to raise awareness for sustainable tourism and drawing attention to emerging, little-known European destinations. The ultimate objective of the EDEN initiative is to increase growth and jobs in the awarded destinations. Multiple benefits have been witnessed by local economy, stakeholders and visitors of the EDEN destinations. The impact of the initiative is measured not only in terms of increased awareness of destinations and tourist flows, but also in regards to local development and networking both at national and European level. Find more on: [http://ec.europa.eu/growth/tools-databases/newsroom/cf/itemdetail.cfm?item\\_id=8597](http://ec.europa.eu/growth/tools-databases/newsroom/cf/itemdetail.cfm?item_id=8597)

#### Launch of revamped Your Europe Business portal<sup>13</sup>

The launch of the revamped Your Europe Business portal made it even easier for European companies to get the information they need to do business in the single market. The redesign increased the site's usability and made it suitable for mobile and tablet users, who account for a quarter of all visits. A contact form leads directly to Enterprise Europe Network partners so that SMEs are connected straight away when they have queries. The site received more than 2 million unique visits in 2015 and is considered to be a best practice by DG Communication.

#### Intellectual Property Rights (IPR) HD Helpdesk China<sup>14</sup>:

A young German entrepreneur opened an exclusive biking shop in Beijing. With the help of the

<sup>12</sup> Project's web-site: <http://www.ee-hub.eu/>

<sup>13</sup> Project's web-site: <http://europa.eu/youreurope/>

<sup>14</sup> The video: <https://www.youtube.com/watch?v=8RM2Uu3JAXw>

China IPR HD, she protected her brand "NATOOKE". Her biking shop had a great success and her brand got value. Thanks to the protection of the brand, she could licence it to a Chinese shop holder in Chengdu. The China IPR SME Helpdesk provides concrete support to European SMEs who seek to internationalise towards China by helping them exploit, valorise, protect and enforce their intellectual property on the Chinese market. Furthermore, it helps European SMEs working in or expanding towards the Chinese market use IP to attract investors and generate revenue. As experts in European and Chinese intellectual property regimes, the China IPR Helpdesk speaks the language of European SMEs while at the same time understanding the operative environment of the Chinese market. This is an asset that is beyond the means of most small and medium sized European companies. The European China IPR Helpdesks is the only easily accessible non-commercial service helping companies from across the EU avoid the pitfalls of IP management on the Chinese market.

## 1.2 Horizon 2020

'Horizon 2020'<sup>15</sup> (H2020), the EU's funding programme for research and innovation aims at stimulating the economy and secure the science and technology base and industrial competitiveness for the future, contributing towards a smarter, more sustainable and more inclusive society. It promises more breakthroughs, discoveries and world-firsts by taking great ideas from the lab to the market.

### 1.2.1 Innovation in SMEs (ABB 02.04)

Succeeding similar activities within the Competitiveness and Innovation Framework Programme (CIP), the Agency is entrusted with the part of Horizon 2020 that is related to the specific objective "Innovation in SMEs" of "Part II Industrial Leadership": *stimulating sustainable economic growth by increasing the levels of innovation in SMEs, covering the multiplicity of needs throughout the innovation cycle for all types for innovation, thereby creating more fast-growing, internationally active SMEs.*

The Agency's role is pivotal in promoting the projects, publishing calls for proposals and tenders, evaluating and contracting proposals and tenders, monitoring projects, making recommendations and providing feedback to the parent DGs.

Under the heading "Other Actions" of the Horizon 2020 Work Programme for 2014-15, a call for tenders on *Capturing innovation impulses from emerging economies* was published. Received tenders are currently under evaluation.

#### Project monitoring

The implementation of the IMP3rove Academy ("IMP3rove for future"), continued throughout the year, leading to an increased provision of innovation management trainings for the Enterprise Europe Network (EEN). The project furthermore contributed to the definition of European and international standards in the area of innovation management.

Similarly, the implementation of the European IPR Helpdesk and related IPR actions provided for an extensive programme of information and training in the area of intellectual property rights for the EEN as well as for wider audiences.

The IPorta Project, which aims at improving support provided to SMEs in the area of intellectual property rights by intermediaries and national IP offices, was signed in December 2015 after months of project negotiation.

Under the 2015 budget four INNOSUP actions were financed for a total amount of EUR 29.67M.

**Innosup 1** - Cluster facilitated projects for new industrial chains: This is a two-stage call for proposals. 119 proposals were received in response to stage 1 out of which 47 were invited to submit their full proposal for stage 2. 45 proposals were received at the 2<sup>nd</sup> stage deadline.

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<sup>15</sup> Regulation (EU) No 1291/2013 of the European Parliament and of the Council of 11 December 2013 establishing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) and repealing Decision No 1982/2006/EC and Council Decision of 3 December 2013 establishing the specific programme implementing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) and repealing Decisions 2006/971/EC, 2006/972/EC, 2006/973/EC, 2006/974/EC and 2006/975/EC.

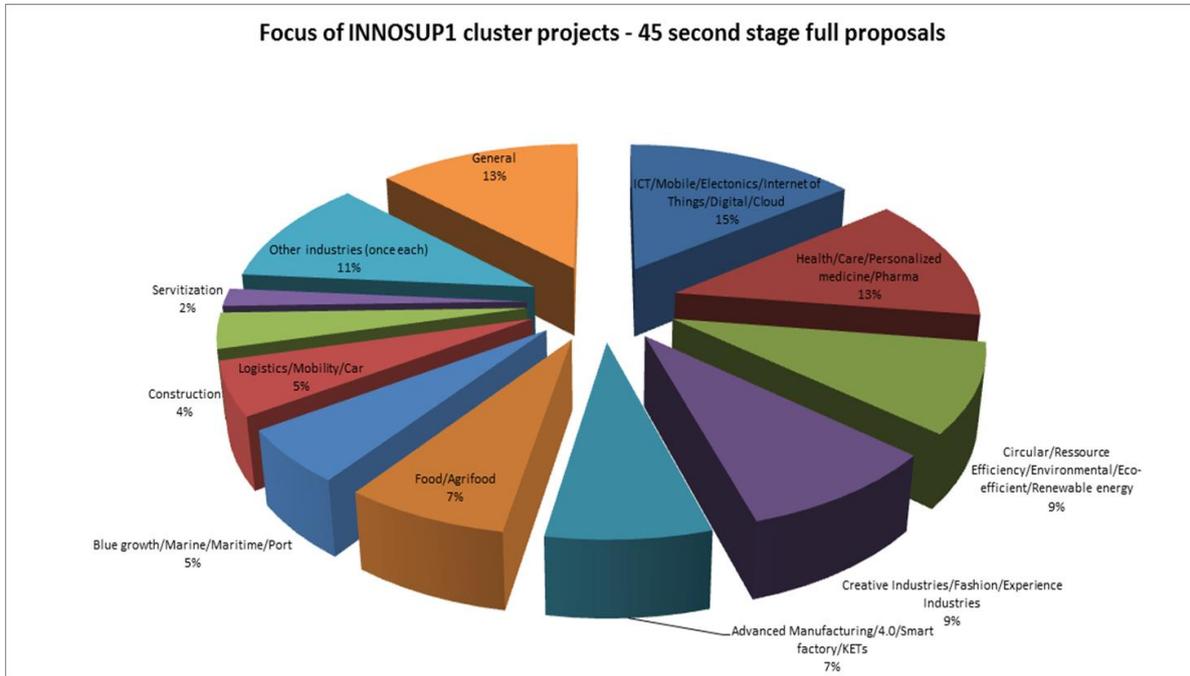


Figure 1: Innosup 1 projects

There were 480 applicants in the consortia, representing 30 countries.

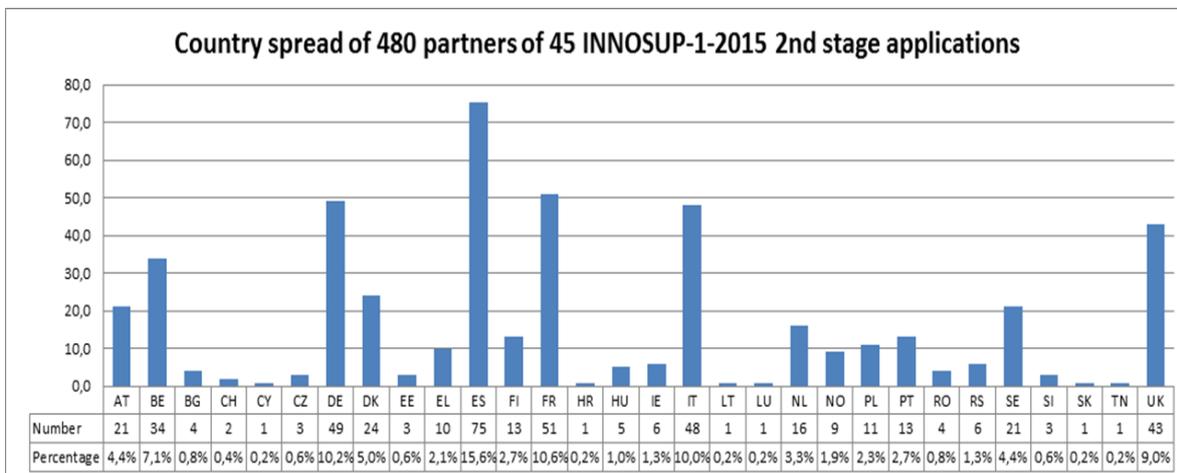


Figure 2: Distribution by countries

The total budget is EUR 24.9M with an average grant amount expected to be around EUR 4M. The funding rate is 70%. Following the evaluation, 5 proposals were included in the main list. The results of the call will be published in February 2016.

The available remaining budget under this call would allow in principle to finance an additional proposal. Negotiations will be launched with the first project from the reserve list to investigate their readiness to decrease the initial proposed budget by 10%.

**Innosup-4:** European label for Innovation voucher: In response to the call for proposals, the Agency received 11 proposals, with 9 passing the eligibility check. Following the evaluation, one project was selected. The total budget is EUR 1M and the funding rate is 100%.

Under the Horizon2020 Work Programme for 2016-17, a call for proposals for the INNOSUP Action on Social Innovation (INNOSUP 04-2016) was prepared and published by the end of the year.

**Innosup-5:** Peer learning of Innovation Agencies: This multi cut-off call for proposal is implemented through 5 cut-off dates, including one cut-off organised in November 2014. The total budget for the call is EUR 1.42M and the funding rate is 100%. 30 proposals were received in response to the five cut-off dates and 21 proposals were successful. 7 projects currently are under implementation, 8 projects in grant preparation phase and 6 will be signed in March 2016.

**Innosup-6:** Capitalising the full potential of online collaboration for the SME innovation: This two-stage call for proposals was published on 10 March 2015. The total budget is EUR 2.35M with a funding rate of 100%. 26 proposals were received and 5 were invited to submit an application for stage 2. The evaluation of the 2<sup>nd</sup> stage ended on 18 September 2015. Two proposals were retained. The projects are currently in grant preparation phase and expected to be signed in February 2016.

### Other activities under "Innovation in SMEs"

The evaluation of tenders of the *Business Innovation Observatory Plus* was finalised in October. From the 4 tenders, the consortium led by Ernst&Young (Belgium) was selected. The contract was signed on 18 December and the budget of selected bid is EUR 2M.

The deadline for receipt of tenders for the *Capabilities for Design-Driven Innovation in European SMEs* was on 22 June. Out of four tenders were received, the consortium led by D'Appolonia (Italy) won the tender. The budget of selected bid is EUR 1.6M. The project started in September.

## 1.2.2 SME-Instrument (ABB 02.04, 08.02, 09.04, 32.04)

The SME Instrument is a new activity under the European Union's Research and Innovation Programme Horizon 2020. This activity is exclusively dedicated to small and medium-sized enterprises (SMEs). It aims to help highly innovative companies with a realistic growth prospect to realise their innovation, development and growth strategy. The Instrument provides funding for close-to-market activities, i.e. activities where the development takes place under production conditions (Technology Readiness Level (TRL) of 6 or higher). This includes, for instance, small test series in order to proof the viability of newly developed prototypes, test production lines, or the validation of new products with respect to standards and regulations, miniaturisation of new products, etc.

The Instrument provides funds in two different forms: a Phase 1 of EUR 50,000 per project in order to carry out detailed market, customer or IPR studies, to carry out some validation tests on an existing prototype or similar; and a Phase 2 of maximum EUR 2.5M per project (up to EUR 5M in case of activities related to biomarkers and diagnostic medical devices) to implement the innovation and development strategy of the company. In addition, each company which is funded under the Instrument receives up to 3 days for Phase I and up to 12 days in Phase II of business coaching.

The Instrument was operational since 8 April 2014 and has carried out the first selection of SMEs for funding in September 2014. In 2015 only, the Instrument received 11,081 applications out of which 574 companies were funded in Phase 1 and 144 in Phase 2 for an overall amount of EUR 271.75M. The following table provides details per cut-off date:

2015 activities	March Phase 1	March Phase 2	June Phase 1	June Phase 2	Sept. Phase 1	Sept. Phase 2	Nov. Phase 1	Nov Phase 2

<b>applications submitted</b>	1556	614	2030 <sup>16</sup>	962	1873	960	2057	1090
<b>applications evaluated</b>	1539	597	2018 <sup>17</sup>	946	1861	945	2035	1068
<b>above threshold</b>	251 (16%)	230 (39%)	342 (17%)	357 (38%)	336 (18%)	373 (39%)	316 (16%)	425 (40%)
<b>above threshold to be funded</b>	149 (59%)	37 (16%)	128 (37%)	44 (12%)	122 (36%)	33 (9%)	175 (55%)	30 (7%)
<b>budget allocated</b>	7.45 M€	68.6 M€	6.40 M€	70.5 M€	6.1 M€	55.3 M€	8.75 M€	48.6 M€

Table 5: SME Instrument calls 2015

Applications can be submitted at any time until 2020 and these applications are assessed four times per year. About 5 weeks are used for the evaluation process including wrapping-up and preparing the selection decisions. Transfer of data from the evaluation IT environment (SEP) into the grant management environment (SYGMA) takes at least a week, since the introduction of the "Seal of Excellence" about two weeks, because of the need to compose and configure larger batches of information letters as well as their contents. Afterwards, the grant preparation process (GAP) starts, which is largely determined by participant validation (also in 2015 over 70% of all SMEs applying are newcomers to the Framework Programmes), the ethical screening and evaluation, the security screening and, for Phase 2, the Commission selection decision where necessary. In very few cases IT problems require interventions at the level of the IT back offices.

The overall process until the grant agreement is signed and the first financial support is given takes three months for Phase 1 and six months for Phase 2, always counted from the respective cut-off date.

Cut-off date in March 2015	90% Grant Agreements signed	100% Grant Agreements signed
Phase I	within 95 calendar days	within 148 calendar days
Cut-off date in June 2015	within 99 calendar days	within 133 calendar days
Phase I		

Table 6: SME Instr March/June - Phase I

For the March cut-off date, the processing of the applications under the security topic (DRS-17) took longer<sup>18</sup> due to the security scrutiny procedures involved and they were signed within 148 days. 90% of grants were signed, within 95 calendar days.

<sup>16</sup> There is a discrepancy between the total number of applications submitted for June Phase 1 and the number mentioned in the Call Evaluation Report; proposal QANDEL – 697069, a failed submission case, had to be evaluated due to a technical problem that prevent the applicant to submit the proposal in time.

<sup>17</sup> As proposal QANDEL-697069 was eligible, the discrepancy between the total number of evaluated proposals and the number mentioned in the Call Evaluation report appears also in the number of proposals evaluated for June cut-off;

<sup>18</sup> H2020 Work Programme 2014-2015, chapter 14. "Secure societies – Protecting freedom and security of Europe and its citizens" of the 2014/15 Work Programme stipulates under footnote 5: Some activities, resulting from this call, may involve using classified background (EU or national) or the production of security sensitive

For the cut-off date in June, for Phase 1, 90% of grant agreements were signed within 99 calendar days. Security topic projects were signed within 116 days. The last grant agreement signed after 133 days due to a problem with a validation process of the applying SME and its link to the third party.

Cut-off date in March 2015	90% Grant Agreements signed	100% Grant Agreements signed
Phase II	within 180 calendar days	within 254 calendar days
Cut-off date in June 2015	within 173 calendar days	ongoing
Phase II		

Table 7: SME Instr March/June - Phase II

For Phase 2 the Agency signed 37 grants. 90% of grants were signed within 180 calendar days. Security topic signed within 194 days. The last grant agreement was signed after 254 days in the biomarkers topic (PHC-12) after full ethics evaluation and subsequent Commission decision.

For the cut-off date in June the Agency received 44 applications. 90% of all grants were signed within 173 calendar days, including the security topic. The grant signature of 3 applications is pending awaiting the necessary Commission decision.

It could be concluded, that although the Time To Grant target was not met for all grant agreements signed by the Agency, mainly due to objective challenges mentioned above, the vast majority of the grant agreements were concluded with in the agreed limit.

Cut-off day: September 2015

- Phase-1 122 grants      90% of all grants signed within 91 calendar days, Grant Preparation Process ongoing.
- Phase-2 33 grants      Grant Preparation Process is ongoing.

Cut-off day: November 2015

- Phase-1 175 grants      Grant Preparation Process will start mid-January 2016.
- Phase-2 30 grants      Grant Preparation Process will start early February 2016.

The Agency observed that first resubmissions are more successful than first-time applicants. This shows the added value of the information provided in the Evaluation Summary Report. The main reasons for the rejection of applications, and therefore the learning factors for the resubmission, concern the commercialisation strategy, including size and situation of the envisaged market segment, competitors, potential customers as

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results. As such, certain project deliverables may require security classification in accordance with the relevant Guide for Classification. For those activities in particular, but not exclusively: DRS 2, 3, 12, 14, 17, 21, proposers are invited to anticipate to the maximum extent possible the requirements for handling security sensitive information. The final decision on the classification of projects is subject to a Security Scrutiny Process. The Time To Grant will start from the completion of the Security Scrutiny Process.

well as the IPR strategy, the influence of the grant on the company development in Phase 2 and the non-technological competences inside the company.

After the first resubmission the success rates drop considerably. Applications of insufficient quality, mainly linked to the development stage of the company itself and not the quality of the application, do not tend to improve through multiple resubmissions. Applicants are discouraged to resubmit after the second or third rejection.

There is a strong concentration of applications from Italy, Spain and the United Kingdom. While this certainly has a number of different reasons, like availability of national support systems, regional innovation capacity, etc., this distribution is not very different from the one observed under SME support schemes of the previous framework programmes.

The distribution among the 13 SME Instrument topics foreseen in the 2014-2015 Work Programme is strongly correlated with the assigned budget in each topic. Only the topic "Open Disruptive Innovation" (ICT-37) is attracting a higher proportion of applications, which is not surprising and is due to the increasing digitalisation of all industry sectors. The following graphs (source: CORDA) provide for an illustration of applications per country.

**Phase I 2015: SMEs' country distribution of proposals submitted versus proposals selected for funding**

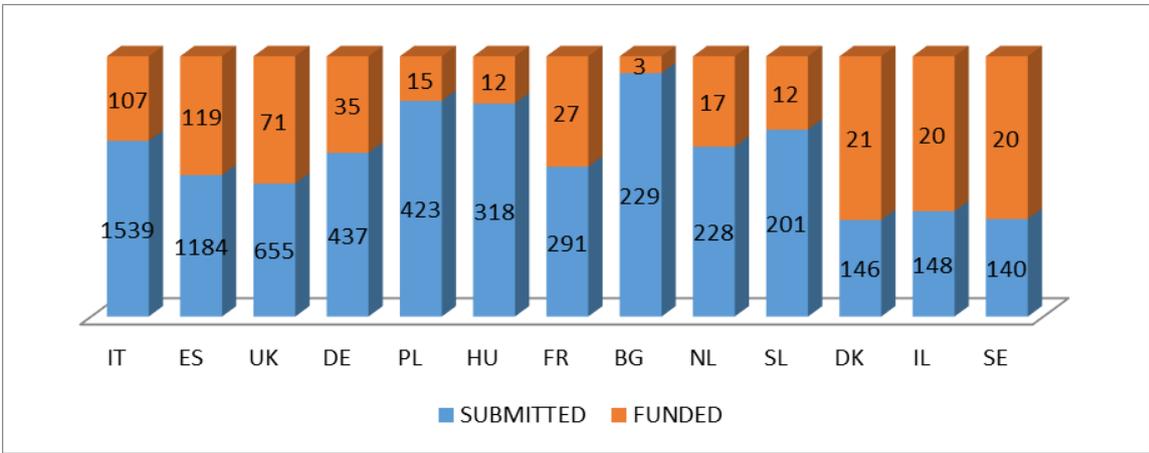


Figure 3: Phase I SMEs submitted and funded applications

**Phase II 2015: SMEs' country distribution of proposals submitted versus proposals selected for funding**

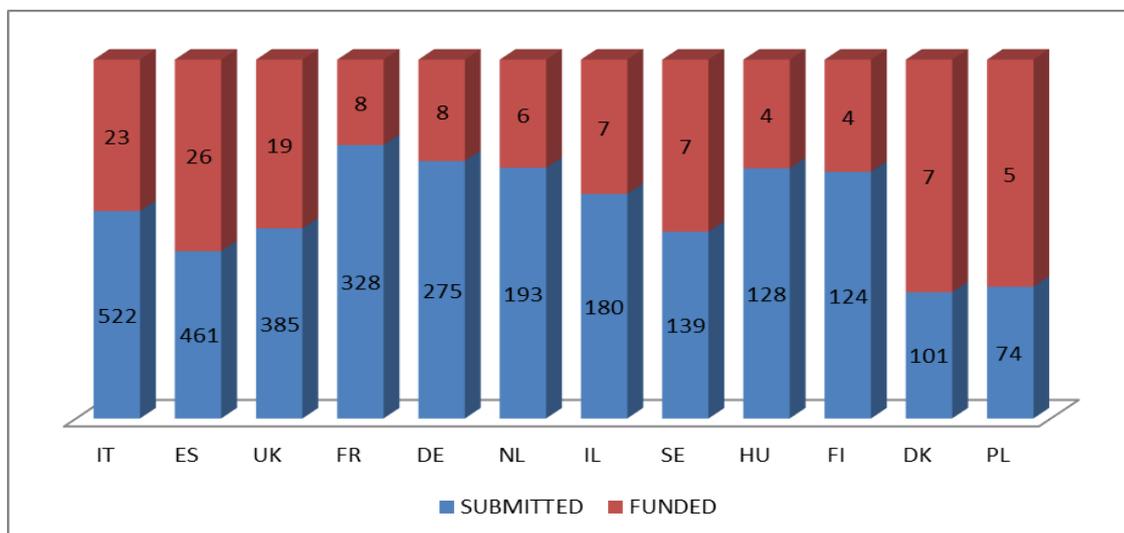


Figure 4: Phase II SMSs submitted and funded applications

### Business Coaching

In addition to the financial support, the SMEs receive up to 3 and 12 days of business coaching in Phase 1 and 2, respectively. The aim of this activity is to help the companies to improve their innovation and growth strategy and to deal better with the many potential difficulties coming along during company growth phases. For instance, the coaches help the companies with their customer focus, their internal organisation and management or prepare the company for entering the new and foreign markets envisaged in their growth strategy.

The coaching activity started in 2014 with 21 coaches; by the end of 2015 the pool of business coaches comprised 462 coaches. Groups of new coaches are regularly invited to induction meetings. The Key Account Managers (KAM) of the Enterprise Europe Network, who are the first to contact the selected SME to carry out a needs analysis and to help the companies to find the right coach, have received training in March 2015. By the end of 2015, an elaborated monitoring system was put in place in order to analyse the needs of the SMEs and to adapt the business coaching offer over time.

The implementation and provision of the coaching support got off to a slow start, mostly because it is a totally new activity for which no prior experiences or procedures existed inside the Agency. Although until the end of 2015, 522 coaching services were provided – or are being provided – there is still a considerable backlog to be dealt with.

The new monitoring and matching system, available since December 2015, help the KAMs finding coaches corresponding to the SME priorities more easily. This will make the assignment process quicker and reduce the backlog during the first semester of 2016. In addition new Key Performance Indicators are developed for the KAMs where speed is an indicator, in addition to impact and client satisfaction.

### Other services provided to SME Instrument beneficiaries (Phase 3)

The 2016-2017 Work Programme was published on 13 October 2015. It foresees budget for Phase 3 activities that amounts to EUR 6.35 M and includes activities to be implemented in order to create a SME Instrument Business Community, a SME Instrument Academy, as well as support for the participation of SMEs in overseas trade fairs. These activities will be implemented through calls for tenders, which were launched by the end of 2015. The conclusion of the contracts with the successful tenderers is foreseen in autumn 2016.

The Agency is engaged with European public procurers of innovation, for example by attending the "ICLEI European Membership Assembly 2015"; ICLEI is one of the leading European platform of cities and Regions working for public procurement of sustainable and innovative solutions.

As a pilot project in order to learn the requirements to set up an efficient commercialisation support, some activities were already undertaken with Agency's own resources prior to the availability of the service contracts described above. For instance, the SME Instrument beneficiaries participated in B2B meetings at the Expo Milano together with companies and organisations from Africa and the ASIAN countries, to the Eindhoven Start-up summit and the ICT 2015 Conference in Lisbon organized by DG Connect.

**Example of EU added value of the "SME Instrument"**

It is still very early to be able to provide statistical figures about the impact of the SME Instrument. However, the very first analysis of the reports received from Phase 1 companies shows that the supported SMEs estimate the cumulated turnover for the next 3 years to be EUR 5 billion with 7 500 jobs newly created linked to it. This is slightly less in terms of turnover than the initial projection at proposal stage but a very similar figure for the job creation.

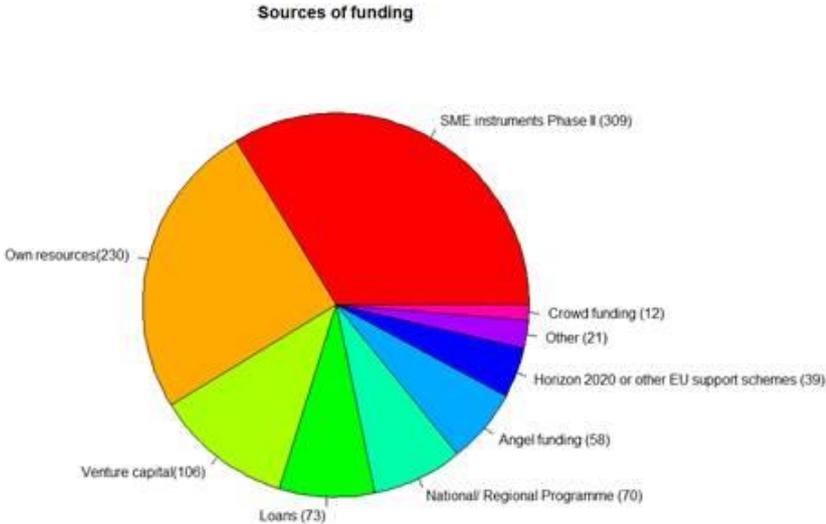
EASME staff analysed the first reports from Phase 1 companies as regards the effects of the grant and the business coaching linked to it on the companies and their innovation management. The companies state that thanks to the grant they made progress in following domains (top 5 domains with most progress made):

- "Better understanding of clients' needs" with score of 9 out of 10

The next four highest ranked domains have all a score of 8:

- "Better knowledge about competitors"
- "Better understanding of technical issues"
- "More strategic approach for identifying risks and risk management"
- "Increased reputation/visibility of the company"

Another question concerned the envisaged funding for the future development of the company (several replies possible):



A number of companies reported on follow-on private financing after the SME Instrument grant. In most of the cases the private investment round is in the magnitude of the grant (EUR 2-5M) but in some cases the leverage is considerably higher. One UK company, Ultrahaptics Ltd Bristol, in the

"Open Disruptive Innovation" topic, reported a ten-fold higher financing round after having won the SME Instrument grant<sup>19</sup>.

Of course, part of the life cycle of small companies is to be acquired by larger companies. This happened to the company Multiposting France, which received a grant of EUR 0.7M in December 2014 and was acquired by SAP in October 2015 for an undisclosed amount. Founded in 2008 Multiposting is the European leader in e-recruitment solutions. The company develops and retails a range of solutions that aim to address all the needs of recruitment services. Their flagship product was the first job and internship posting tool available on line. Today Multiposting works with over 1,200 clients worldwide<sup>20</sup>.

In December 2014, Immunovia AB, a Swedish health company from Lund, received an SME Instrument Phase 2 grant of EUR 4.2M for a project on early diagnosis of pancreatic cancer. Today, it has doubled its staff from 9 to 18 and developed enough to be accepted for trading on the Nasdaq First North in Stockholm<sup>21</sup>.

The French company PayPlug addresses the needs of SMEs who wish to collect payments online. It is developing a next-generation payment platform that reduces software integration costs by a factor of five and provides fraud protection thanks to modern statistical algorithms. In addition, new sophisticated technology will allow PayPlug to accurately detect risky vendors and at the same time register legitimate businesses rapidly. The company was supported with a grant of EUR 1.75M in October 2014.

The Immunovia AB company's CEO said: *"The SME instrument has been a decisive financial and confidence support to convince investors to subscribe to our share issue this year (2015) required to entry in the market in US and EU. It has also been an important support for Prof Brian Druker, in his decision to enter a broad collaboration with Immunovia and the IMMray™ antibody array technology. Brian Druker is director at Knight Cancer Institute, who recently received a 1.000 million US\$ donation, intended to completely change cancer care through early diagnosis, He is also inventor of the drug imatinib (Gleevec®), Glivec®).*

### Fast Track to Innovation pilot scheme

The Fast Track to Innovation (FTI) Pilot scheme call was published on 6 January 2015. The first cut-off date was on 29 April 2015. The Agency received 269 applications including 1,149 applicants, who represent 63% private organisation (46% SME), 13% Academia, 9% Research organisations and 15% other organisations.

The FTI action is a fully bottom up scheme; no topics were pre-established. However, the use of a fixed keyword was implemented for submission of proposals in order to assist the Agency's services in better allocating proposals to experts with relevant expertise during the evaluation. The 5 most popular key-words were: ICT (57 proposals), Advanced Manufacturing (49), Health and Demographic Change (46), Energy (26) and Transport (26).

48 proposals were evaluated above threshold and 16 of these will be funded for a total of EUR 35.6M. 69 participants are included in these projects. In terms of country distribution: Germany is in the lead with 13 participants, followed by the UK and France with 9 participants each.

<sup>19</sup> <http://ultrahaptics.com/news/ultrahaptics-announces-10-1-million-series-a-funding-round-led-by-woodford-investment-management/>

<sup>20</sup> <https://files.multiposting.fr/static/docs/PR-Multiposting-SAP-131015.pdf>

<sup>21</sup> [https://www.youtube.com/watch?v=p\\_fulQI70M4](https://www.youtube.com/watch?v=p_fulQI70M4)

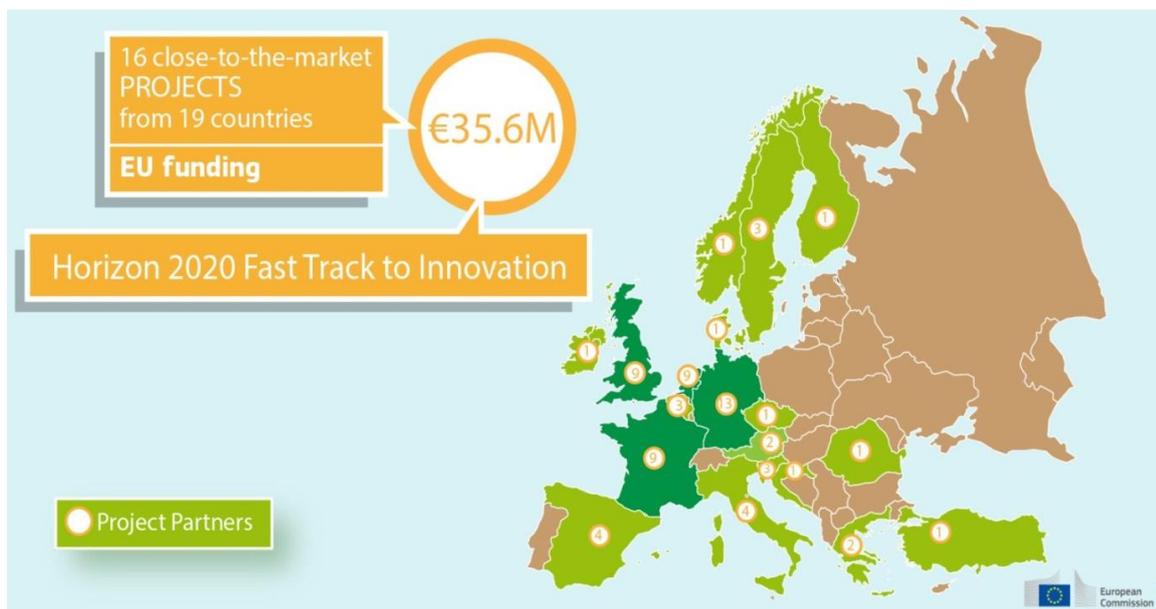


Figure 5: FTI projects

The second cut-off date was on 1 September 2015. The agency received 231 proposals. Their distribution by country is as shown in the graph below:

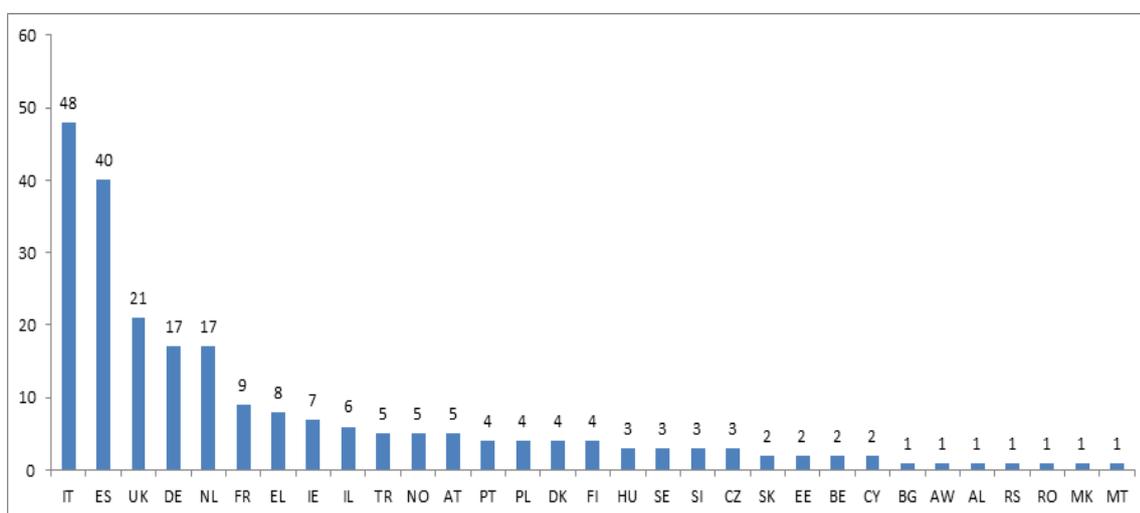


Figure 6: Distribution FTI projects by countries

Taking into account the experience of the first cut-off, the quality review was no longer assigned to external experts but carried out by Agency's staff. While the quality has improved, as a result, this phase of the evaluation took longer, but on time. 15 proposals will be funded for which the grant preparation is ongoing.

The last cut-off date of FTI in 2015 was on 1 December and resulted in 403 applications, which represents a constant increase and about 40% more than previous cut-off dates. The evaluation is foreseen to finish by the end of February 2016.

### 1.2.3 Societal challenge 3 'Secure, clean and efficient energy' (ABB 32.04)

The Agency contributes to the specific objective of DG ENER and CNECT *"Making the transition to a reliable, affordable, publicly accepted, sustainable and competitive energy system, aiming at reducing fossil fuel dependency in the face of increasingly scarce resources, increasing energy needs and climate change"*.

The Agency is responsible for implementing the Energy Efficiency Calls under the Horizon 2020 Societal Challenge 3 on 'Secure, clean and efficient energy'. Even though the funding topics, rules of participation, evaluation/contracting procedures, IT tools, and stakeholders are very different from the programmes it managed before 2014, the Agency adapted to this new environment and met its objectives.

#### H2020 Energy Efficiency Call 2014

The 45 projects selected after the main deadline of the call 2014 were contracted early February 2015 (time-to-grant: 8 months) and nearly all their kick-off meetings were attended by the Agency's Project Advisors. The Agency launched at the end of February 2015 the grant agreement preparation for the 8 best reserve list proposals and signed the contracts by the end of May 2015, i.e. within 3 months from the notification.

#### H2020 Energy Efficiency Call 2015

*Deadline of 4 February 2015 (contractual Public Private Partnership Call – about EUR 20 million):*

The Agency received 77 proposals and 7 of them were recommended for funding and 5 were proposed for immediate grant agreement preparation. The Agency notified all applicants on 8 May, well ahead of the deadline of 4 July. EASME signed 5 grant agreements early August (time-to-grant: 6 months). They address two important areas: the design of highly performing buildings and heat recovery in large industrial systems.

*As for H2020 Energy Efficiency Call 2014: The market uptake projects alone are expected to trigger more than 100.000 toe/year energy savings.*

*Deadline of 4 June 2015 (Main Call – about EUR 80 million):*

Prior to the closing date, the Agency staff presented the funding priorities at several events during January-February 2015, e.g. Energy Service Company (ESCO) conference, meeting of cities networks, German webinar, National Contact Points briefing, Network of Managing Authorities, and Network of National Energy Agencies. In addition EASME staff answered nearly 200 queries from potential applicants.

The Agency received 404 proposals by the deadline of 4 June 2015. Following that, the Agency's Project Advisors organised via web-streaming a general briefing of 134 experts.

The central evaluation of the 401 eligible proposals was completed successfully. 102 proposals were recommended for funding. However, the available budget only allowed support of the 45 best ones. The Agency notified the applicants in due time, within 5 months from the call deadline. EASME presented the evaluation results to the Energy Configuration of the Horizon 2020 Programme Committee on 4 November. The grant agreements will be signed at the latest on 4 February 2016 (time-to-grant of 8 months).

Overall, for the Energy Efficiency Call 2015 (both deadlines), the Agency organised the evaluation for 478 proposals, out of which 109 proposals were recommended for funding. However the call budget (about EUR 100 M) only allowed to support 50, which means a success rate of about 10%. The proposals to be funded cover the whole innovation chain, from research to market uptake. The call Observers concluded that the evaluation was carried out 'according to the highest quality standards'.

The results of the 2015 call have confirmed that the Horizon 2020 support to innovation in energy efficiency responds to the needs of energy actors. As in 2014, there was a very high interest in the call with a balanced distribution of proposals along the whole innovation cycle, and a broad participation of both research, industry and other market actors.

The 50 proposals to be funded under the Energy Efficiency Call 2015 address the following issues:



Figure 7: Energy Efficiency call 2015

## H2020 Energy Efficiency Call 2016-17

On 14-15 September EASME presented at the Energy Info Day the new call and on 16 October at the Info Day spoke about contractual Public Private Partnerships.

EASME organised an Energy Efficiency Info Day on 8 December 2015 in Brussels, with about 350 participants and more than 1000 people following the event through the Internet. In the feedback survey, more than 90% of the respondents expressed their satisfaction with the event organisation. The Info Day included sessions for networking and on the SME Instrument. Before and after the Info Day, the Agency, together with RTD and INEA, briefed the National Contact Points.

EASME staff also participated in the National Info Days in France, Germany and Ireland.

## H2020 Energy Efficiency Tenders

Four new tenders were launched under H2020, mainly to take stock of past projects' results:

1. Evaluation of the Build Up skills initiative;
2. Evaluation of IEE bioenergy projects;
3. Support for Build Up skills EU exchanges and analysis on construction skills;
4. Evaluation of IEE building projects.

The first two studies are the most advanced and their final reports will be ready in the first semester of 2016.

EASME also launched a new call for tender for the set-up of Sustainable Energy Investment Forums. The contract will be signed in 2016.

### **Concerted Actions under H2020**

An ad-hoc grant for the 4<sup>th</sup> Concerted Action on the Energy Performance of Buildings Directive (EPBD) started in October 2015 and the preparation of the 3<sup>rd</sup> Concerted Action on the Renewable Energy Sources Directive started in order to have the contract signed in summer 2016 as a follow-up of the 2<sup>nd</sup> Concerted Action. These Concerted Actions involve all Member States and aim at facilitating the implementation of sustainable energy policies.

*The meeting on 'Practical approaches to the building renovation' gathered some 35 project coordinators, representing H2020 and IEE projects, as well as several FP7 and H2020 projects managed by DG RTD. Additionally, other EU programmes, for example, DG REGIO's MED programme were represented. The workshop focused on all practical aspects of renovation.*

### **Policy feedback and promotion**

EASME continued to provide regular policy feedback to DG Energy (DG ENER) and other Commission Services. As foreseen in the 2015 Annual Work programme, this feedback was organised both at Heads of Unit/Sector level (monthly liaison meetings between EASME and ENER) and, more frequently, at Project Advisor – Policy Officer level.

To begin with, in the first half of 2015, EASME supported DG ENER in drafting the H2020 2016-17 energy efficiency funding priorities and in responding to the Programme Committee's comments. The Agency joined every inter-service meeting and participated in all Programme Committee' meetings. It participated in the board meetings of the H2020 contractual Public Private Partnership on processing industries (SPIRE) and energy-efficient buildings (EeB). EASME organised a brainstorming session with different DGs (REGIO, EMPL, ENER, ENV) on the evaluation of the Build Up Skills projects.

At the same time EASME also assisted DG ENER in the evaluation and monitoring of 5 of their own tenders:

1. Evaluation of the Project Development Assistance;
2. Delivering informed investment decisions for energy efficiency investments through accessible data, standardised procedures and benchmarking of performance;
3. Review of energy efficiency financing schemes in Member States;
4. 3<sup>rd</sup> Follow-up study on evaluating national policy measures and methodologies to implement Article 7 of Energy Efficiency Directive; and
5. Development of a platform for certification and qualification schemes of installers of small scale renewables technologies.

Also noteworthy was the organisation by the Agency of 4 contractors' meetings on:

- Socio economic research on energy efficiency;
- Innovative financing for energy efficiency;
- Behavioural campaigns on sustainable mobility;
- Practical approaches to the building renovation.

During these meetings, H2020 and IEE project coordinators exchanged results and experiences, were briefed on the latest policy developments as well as on project management issues, and had the opportunity to share their lessons with European Commission officials.

### **Example of EU added value of "Secure, clean and efficient energy"**

Notwithstanding the novelty of the H2020 Energy Efficiency Focus Area, the results of the first calls, from 'research to market', are encouraging. This is reflected by the high interest in the 2015 call and the start of the first H2020 energy efficiency projects.

For example the market uptake projects launched in 2015 under the H2020 programme are expected to generate more than 100.000 **tonnes of oil equivalent** (toe)/year of energy savings, and the expected investment triggered by these projects will likely exceed EUR 450 M.

The objective of these close-to-market actions is to create the right market conditions in terms of awareness, capacity building; regulatory environment and investment climate to trigger and spread innovation.

For example the **LabelPack A+** project aims to foster the implementation of the EU energy efficiency legislation across Europe; the project helps creating common tools and instruments for triggering innovation and supporting industry in the implementation of the energy labelling directive for combined heating and solar thermal systems in six target countries.

Another example of market uptake action is the project **SUNSHINE**, improving the investment framework for energy efficiency by setting up an innovative investment scheme and business model with a high replicability potential across the Central and Eastern European countries.

In another area, the **TOPTEN ACT** project will help consumers make environmentally conscious purchases by selecting and presenting Europe's most energy efficient products across a number of categories. Goods will be analysed from the 16 national TOPTEN websites, which showcase the best performing models in each country.

### 1.2.4 Societal challenge 5 'Climate action, environment, resource efficiency and raw materials' (ABB 02.04, 08.02)

The Agency contributed to DG RTD's and DG GROW's common specific objective: *to achieve a resource - and water - efficient and climate change resilient economy and society, the protection and sustainable management of natural resources and ecosystems, and a sustainable supply and use of raw materials, in order to meet the needs of a growing global population within the sustainable limits of the planet's natural resources and eco-systems.*

In 2015 the Agency finalised all the grant agreements resulting from the 2014 calls – including one from the reserve list (SMART GROUND from the H2020-SC5-2014-One-Stage). Projects advisors are monitoring 52<sup>22</sup> projects of the 2014 calls:

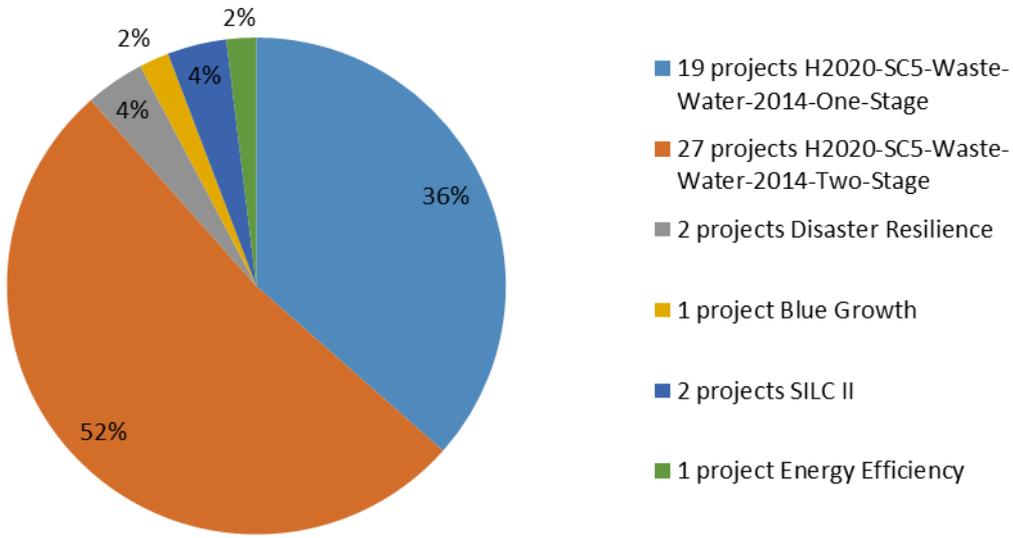


Figure 8: Water and wastewater ongoing projects

In 2015 EASME prepared and coordinated evaluation of 6 calls: H2020-SC5-WASTE-WATER-2015 (One Stage and Two Stages), and actively participated in evaluations of the H2020 Blue Growth (BG-1-2015-Two Stage) and the H2020 Disaster Resilience call (H2020-DRS-2015). All together these calls represent EUR 301,609M in 2015, including the part related to the SME instrument.

Submission of the projects related to the H2020-SC5-WASTE-WATER-2015 call (One Stage and Two Stages) lasted until 21 April 2015. 109 project proposals were received in response to the H2020-SC5-WASTE-WATER-2015-One-Stage call and 808 in response to the H2020-SC5-WASTE-WATER-2015-Two-Stage call. Evaluations of the One-Stage call and first stage of the Two-Stage call took place in May and June.

Following evaluations, 18 projects were proposed for funding in the framework of H2020-SC5-WASTE-WATER-2015-OneStage. All 18 grant agreements were signed by the end of

<sup>22</sup> The number includes 2 projects on SILC II

December. Early signature of 6 grant agreements allowed to achieve the year's target of 100% budget implementation. 5 projects already started on 1 December.

208 applicants were invited to submit proposals for the second-stage evaluation of the Two-Stage call by the deadline of 8 September. Evaluations of the second stage started on 21 September and lasted until the end of October. 130 experts were evaluating 207 project proposals (one consortium did not submit their project proposal) within 9 topics. DG RTD took active part in the evaluations. Following evaluations, 31 proposals were recommended for funding. The Agency informed successful applicants on 15 December, and with this it started the grant agreement preparations.

*An example of project started on December 1, 2015: ROBUST project aims to develop an autonomous, reliable, cost effective technology to map vast terrains, in terms of mineral and raw material contents, which will aid in reducing the cost of mineral exploration, and of identifying, in an efficient and non-intrusive manner, the richest mineral sites. ROBUST will develop sea bed in-situ material identification through the fusion of two technologies, laser-based in-situ element-analysing capability merged with underwater AUV (Autonomous Underwater Vehicle) technologies for 3D sea-bed mapping.*

13 proposals were received in the framework of the call H2020 Blue Growth (BG-1-2015-Two Stage). Only one proposal was invalid. Evaluations of the first stage took place between February and March. Following evaluations 6 applicants were invited to submit their project proposals for the second stage, which took place between July and September. The ranking list - including two proposals recommended for funding on topic BG-1-2015, that is under responsibility of EASME - was consulted with parent DG's. The agency sent information letters to applicants in mid-November. Grant agreement preparations are ongoing and shall be concluded by mid-February.

The agency sent information letters to applicants in mid-November. Grant agreement preparations are ongoing and shall be concluded by mid-February.

The deadline for submission of proposals in the framework of the Disaster Resilience call (H2020-DRS-2015) was 27 August 2015. 59 proposals were submitted to the Agency for the two topics. The evaluations started in September and lasted until mid-October. Four proposals were recommended for funding. The Agency will sign the grant agreements by April 2016.

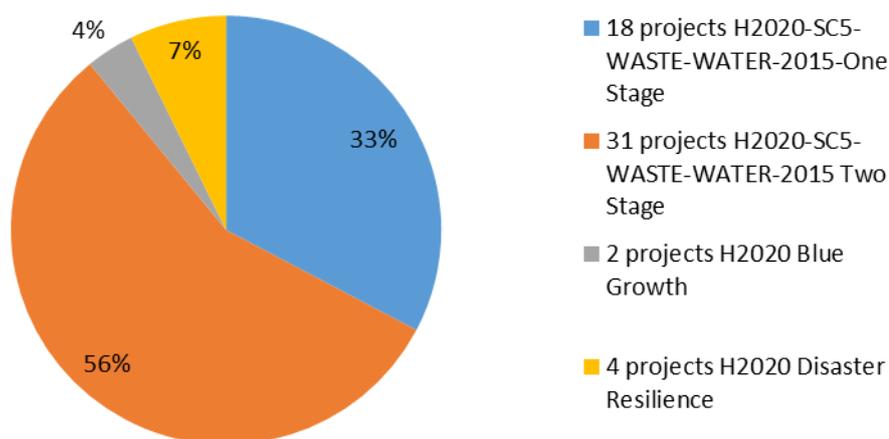


Figure 9: Number of projects to be funded resulting from 2015 calls

On 21 September EASME organised the Information Day on Horizon 2020's Challenge: Climate Action, Environment, Resource Efficiency and Raw Materials. The purpose of the Info Day was to present the calls under the new 2016 Work Programme to potential applicants. The new Work Programme and the topics were introduced by about 20 speakers from DG RTD and DG GROW. Nearly 500 participants attended the event, and more than 2000 followed the event via webstreaming.

In 2015, EASME also organised two networking events: on 26 February a Kick-off & Network Meeting – "Harnessing EU water research and innovation", and on 8 December a Kick-off & Networking event "Boosting synergies on EU WASTE Research and Innovation actions". Those meetings were an opportunity for the new H2020 and ongoing FP7 projects' beneficiaries, as well as EASME, other research related DGs and other participants to share their knowledge and experiences on the water and waste related topics. In addition, the meetings helped participants to identify synergies among new and old projects as well as between the projects and current political initiatives so as to maximise the projects' impact.

Furthermore, given the important ICT component across the focus areas water/waste projects, EASME works closely with DG CNECT to ensure meeting DG CNECT's objectives in SC5, and that implemented projects actively contribute to DG CNECT activities and initiatives (e.g. ICT Cluster for Water).

In addition, a workshop with DG RTD on "Lessons learnt during evaluation" took place on 30 January. In total nearly 40 participants from the Agency and RTD were present. The objective of the workshop was to exchange the experience gained from the calls in order to take steps for future improvements.

### 1.3 LIFE (ABB 07.02, 34.02)

Under the LIFE Programme<sup>23</sup> (a continuation of LIFE+) the Agency addresses the needs of the environment and climate protection. In 2015, EUR 230,3M were allocated to the programme.

The LIFE programme is the only EU wide financing programme supporting the conservation of habitats and species in the context of the NATURA 2000 network.

The Agency supports DG ENV and DG CLIMA in reaching EU wide objectives of "Environmental policy and Climate action at Union and international level":

- (1) To contribute to a greener and more resource-efficient economy and to the development and implementation of Union environmental and climate policy and legislation;
- (2) To halt and reverse the biodiversity loss;
- (3) To support better environmental governance and information at all levels;
- (4) To pursue the shift towards a low carbon economy by securing investments for climate change mitigation;
- (5) To promote a climate-resilient economy by securing investments for climate change adaptation;
- (6) To support better climate governance and information at all levels.

In 2015 the Agency finalised the process of the hand-over of files from DG CLIMA and DG ENV. EASME was fully responsible for the preparation of the LIFE Call 2014 on the Climate sub programme and for NGO operating grants, including the evaluation of the projects, the revisions and contract preparations. The revision of the LIFE 2014 traditional grants<sup>24</sup> for the sub-programme Environment was performed.

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<sup>23</sup> Regulation (EU) No 1293/2013 of the European Parliament and of the Council of 11 December 2013 on the establishment of a Programme for the Environment and Climate Action (LIFE) and repealing Regulation (EC) No 614/2007.

<sup>24</sup> "Traditional" projects may be best-practice, demonstration, pilot or information, awareness and dissemination projects. Best practice projects apply appropriate, cost-effective and state-of-the-art techniques, methods and approaches taking into account the specific context of the project; demonstration projects put into practice, test, evaluate and disseminate actions, methodologies or approaches that are new or unknown in the specific context of the project, such as the geographical, ecological, socio-economic context, and that could be applied elsewhere in similar circumstances; pilot projects apply a technique or method that has not been applied or tested before, or elsewhere, that offer potential environmental or climate advantages compared to current best practice and that can subsequently be applied on a larger scale to similar situations; information, awareness and dissemination projects aim at supporting communication, dissemination of information and awareness raising in the fields of the sub-programmes for Environment and Climate Action.

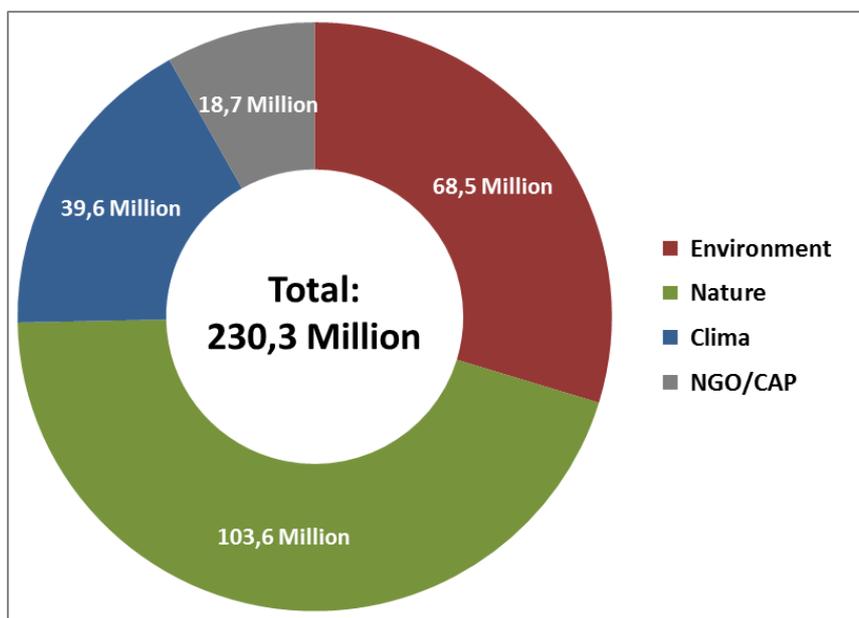


Figure 10: LIFE 2015 Budget distribution

For the LIFE 2014 call a total of 135 traditional projects (104 for the sub-programme Environment and 31 for the sub-programme Climate Action), 24 Operating Grants (NGO), 14 Capacity Building (CAP) and 2 climate action technical assistance projects) were revised and contracted.

EASME was responsible for the preparation and launch of the LIFE 2015 Call for the LIFE *traditional* grants of the sub-programme Environment and Climate Action that included Actions Grants, Climate Action Integrated Projects, Capacity Building grants, NGO framework partnership agreements (FPA) and annual operating grants (SGA) as well as Climate technical assistance projects. Resulting from the NGO FPA call, 31 NGOs were selected to sign an FPA.

*A wide range of solutions have been financed in 2014 Call ranging from innovative technology for steel making that applied at European scale, will contribute to climate mitigation with a reduction up to 17 Mio tonnes of emitted CO2 over a ten-year period to projects on the conservation and protection of the EU priority habitat Active Blanket Bog and several solutions within the waste and recycling sector to reduce and recover critical raw materials fostering close loops and circular economy*

The Agency updated and drafted documentation to applicants, including evaluation guidelines and took the responsibility for the overall contracting, coordination, overseeing and quality control of the external contractor responsible for the experts' engagement and carrying out of the evaluation.

Two specific service contracts were launched to cover the monitoring and communication activities linked to the traditional and operating grants awarded within the LIFE 2014 Call. The contractor initiated the activity of monitoring of the LIFE 2014 Call projects.

To strengthen the policy feedback capacity of the Unit, the thematic orientation and clustering were reinforced including involvement, at an early stage of the project cycle of the relevant policy actors. As foreseen by the 2015 Work Programme, around 10 kick-off meetings were organised with traditional projects. They were awarded in 2014 with the support of the external monitoring team and with the participation of DG ENV and DG CLIMA policy units.

These kick-off meetings were clustered according to thematic priorities (i.e. waste and resource efficiency, climate adaption and mitigation, nature and biodiversity, health and

air emission, water, chemicals and governance and information) with specific sessions dedicated to policy feedback and specific impacts.

The various Info-Days were organised across the European Union with the support of the external monitoring contractor. The aim of the campaign is to raise awareness of the LIFE 2015 Call priorities as well to improve quality of submission and geographical spread of the applications. EASME staff participated in 4 of them, including a dedicated writer workshop.

The Agency initiated the drafting of a strategic paper related to content, workflow and frequency of policy feedback, which will be further elaborated for the LIFE programme in the policy implementation strategy, as agreed in the Memorandum of Understanding. In parallel, further efforts were undertaken to better track, simplify and streamline LIFE related procedures. These streamlining activities included a simplification of call submission forms, beneficiaries' reporting templates and improving coherence of the evaluation guidelines.

## 1.4 EMFF (ABB 11.06)

The European Maritime and Fisheries Fund (EMFF) aims at contributing *to promote competitive, environmentally sustainable, economically viable and socially responsible fisheries and aquaculture as well as to enhancing the development and implementation of the EU Integrated Maritime Policy (IMP)*. It is one of the five European Structural and Investment Funds which complement each other and seek to promote a growth and job based recovery in Europe.

The Agency is responsible for implementing the direct management of policy support actions under the 2014 and 2015 EMFF work programmes on behalf of DG Maritime Affairs and Fisheries (DG MARE):

- 2014 WP: 18 EMFF actions were delegated to the Agency. In the transition phase during which the EMFF unit was set up in the Agency, the preparation and publication of the calls was ensured by DG MARE, while the Agency was in charge of the evaluation of 8 actions and the contracting of all 18 actions. The last 2 actions were handed over to the Agency only in December 2015, but thanks to sustained efforts, the Agency managed to issue and sign the contracts before the end of the year 2015.
- 2015 WP: 24<sup>25</sup> EMFF actions were delegated to the Agency. For 2015 WP, the Agency is in charge of the whole project lifecycle of delegated actions, including the preparation and publication of the calls.

The table below gives an overview of the number of delegated EMFF actions by type:

Type of action	WP 2014	WP 2015	Total Nr of actions
Calls for tenders	9	10	19
Specific contracts under framework contracts	5	7	12
Calls for proposals	2	4	6
Ad-hoc grants	1	2	3
Union financial contribution	1 <sup>26</sup>	1 <sup>27</sup>	2
<b>TOTAL</b>	<b>18</b>	<b>24</b>	<b>42</b>

Table 8: EMFF actions

For these actions, the Agency in 2015:

- Drafted calls for proposals and invitations to apply for 10 actions, as well as technical specifications for 26 procurement actions.
- Answered over 110 queries from applicants/tenderers before submission date.

<sup>25</sup> 28 initial actions included in the EASME 2015 Work Programme were reduced to 24 following a merger of two actions as a part of the EMFF 2015 WP revision of 26/06/2015 and the cancellation of 3 actions by DG MARE in July 2015. This reduction included 1 ad-hoc grant, 1 call for tender and 2 requests for service under framework contracts. Reference targets in this report have been modified accordingly.

<sup>26</sup> The 2014 action for joint chartering of patrol vessels could not be implemented due to the absence of applications received by DG MARE. Consequently, the action was cancelled by DG MARE.

<sup>27</sup> DG MARE extended the submission deadline for this action until the 31<sup>st</sup> January 2016.

- Evaluated 26 proposals and 72 bids, involving only internal staff from the Agency and Commission services.
- Issued and signed 13 grant agreements and 29 contracts.
- Assessed 153 deliverables and reports.
- Organised and participated in 190 project meetings.
- Executed all commitment and payment appropriations by year end.

Based on the targets set in the 2015 Work Programme, the Agency reached the following results:

## Grants

GRANTS	Reference targets	Executed	Success rate
EMFF 2015 – Calls for Proposals published	4	3	75.00%
EMFF 2015 – Invitations to apply issued	2 <sup>28</sup>	2	100.00%
Evaluations (total)	9	6	66.67%
<i>EMFF 2014 - Evaluations finalised</i>	3 <sup>29</sup>	3	100.00%
<i>EMFF 2015 - Evaluations launched</i>	6 <sup>30</sup>	3	50.00%
Grant Agreements signed (total)	14	13	92.86%
<i>EMFF 2014 - Grants Agreements signed</i>	11 <sup>31</sup>	11	100.00%
<i>EMFF 2015 - Grants Agreements signed</i>	3	2	66.67%

Table 9: EMFF grants

The targets for grants under the 2014 EMFF Work Programme were fully achieved: 100% of evaluations finalised and grant agreements signed.

Regarding grants under the 2015 EMFF Work Programme, all invitations to apply for ad hoc grants were issued and the last of the four calls for proposals was launched in the beginning of 2016. 50 % of the foreseen evaluations were finalised and 66.67 % of the scheduled grant agreements were signed before the end of 2015.

## Procurement

CONTRACTS	Reference objective	Executed	Success rate
EMFF 2015 – Calls for tenders published	9 <sup>32</sup>	6	66.67%
EMFF 2015 – Service requests issued	10 <sup>33</sup>	6	60.00%
Evaluations (total)	26	16	61.54%
<i>EMFF 2014 - Evaluations finalised</i>	6	6	100.00%
<i>EMFF 2015 – Evaluations launched</i>	20	10	50.00%

<sup>28</sup> DG MARE cancelled 1 of the 3 initially planned ad hoc grants.

<sup>29</sup> The 2 initially planned evaluations have been increased to 3 due to the relaunch by DG MARE of one unsuccessful lot for one of both actions.

<sup>30</sup> Due to the cancellation of 1 ad hoc grant (see footnote 20), the number of grants to be evaluated decreased from 7 to 6.

<sup>31</sup> The initially foreseen 13 grant agreements have been reduced to 11 based on the outcome of finalised evaluations.

<sup>32</sup> From the target of 10-12 initially planned calls for tender, 2 will be implemented via a renewal of contracts and 1 action was cancelled by DG MARE.

<sup>33</sup> The target of 12 initially planned service requests has been reduced to 10 following cancellation of 2 actions by DG MARE.

Contracts signed (total)	36	29	80.56%
<i>EMFF 2014 -Contracts signed</i>	<i>20</i>	<i>20</i>	<i>100.00%</i>
<i>EMFF 2015 - Contracts signed</i>	<i>16</i>	<i>9</i>	<i>56.25%</i>

Table 10: EMFF procurement

The targets for procurement actions under the 2014 EMFF Work Programme were fully achieved: 100% of evaluations finalised and contracts signed before year end.

Regarding procurement under the 2015 EMFF Work Programme, two thirds of the service requests and calls for tenders were launched compared to the targets set. As a consequence, half of the targeted evaluations were finalised and contracts signed by the end of 2015.

The delays in launching calls for tenders and service requests were due to two main reasons: substantial delays in receiving contributions for the specifications/terms of reference of a number of procurement actions and high workload associated to the implementation of a number of concurring actions.

### Support activities

In 2015, the Agency provided regular feedback to its 11 mirror units in DG MARE and participated in 14 communication or policy related events and meetings, which was important also for the capacity building of the EMFF unit. The Agency also provided support to DG MARE by taking part in evaluation committees for EMFF actions for which the parent DG was in charge.

The Agency worked in close cooperation with DG MARE in several ways: daily contacts between MARE's policy officers and the Agency's project advisers, weekly coordination meetings between the MARE coordinator and the Agency's Head of unit, and quarterly meetings between the responsible operational and financial MARE directors and EASME Heads of department. In addition, several bilateral meetings with mirror units took place at Head of unit level to discuss specific pending issues.

*During the last practitioners' workshop, the Agency presented the results of its work to map the **Blue Growth** related activities supported in the different programmes implemented by the Agency. The report gave an overview of the programmes and their means of action, and provided a first analysis of the types of Blue Growth activities supported.*

In order to facilitate the delegation of EMFF actions and cooperation with the MARE mirror units, the Agency organised two MARE-EASME practitioners' workshops, in February and October 2015. These events further enhanced the already good working relations, building on the experience gained in the different steps of the project lifecycle.

In order to reach out effectively to MARE stakeholders, the Agency ensured that its calls were also published on the MARE website in addition to its own maritime web page. Apart from that, the Agency started using the EEN platform to reach maritime businesses as well as social media channels (Twitter) to promote the EMFF actions and its calls.

## 1.5 CIP-Intelligent Energy - Europe Programme (ABB 32.04) – Legacy programme

The Intelligent Energy – Europe Programme (IEE) supports the European Union’s energy policy and its ambitious "20-20-20" commitment: i.e. reducing greenhouse gas emissions by 20%, increasing the share of renewables in energy consumption to 20%, and reducing energy use by 20%, all by 2020.

EASME supports DG ENER in reaching the following specific objective for the ABB-activity 32.02 'conventional and renewable energy': *To support and ensure the achievement of the EU energy efficiency target for 2020 – through policy measures promoting energy efficiency particularly in the energy, residential and services sectors and industry and outline priorities for 2030.*

*The 10th edition of the EU Sustainable Energy Week (EUSEW), included a three-day conference in Brussels with almost 2,700 participants, an awards competition with 373 projects submitted, 27 nominees and 3 winners, almost 700 Energy Days in participating countries.*

In 2015 the IEE budget implemented by the Agency was fully executed. In addition, the Agency's average speed to assess IEE project reports and pay beneficiaries was faster than contractual obligations; e.g. for payments where the legal obligation is set at 90 days the whole process was completed on average in 65 days. Overall about 50 million EUR of IEE payments were executed.

The Agency continued with the monitoring of 232 ongoing IEE projects. EASME staff participated in more than 70 IEE project meetings.

Significant efforts were also dedicated to the monitoring, implementation and promotion of 6 IEE tenders:

1. Evaluation of the IEE projects addressing local and regional public authorities;
2. Eltis Urban Mobility Observatory;
3. ManagEnergy initiative;
4. Energy Efficiency Products Facility;
5. Clean Vehicle Portal; and
6. Operation, maintenance, improvement and promotion of the BUILD UP interactive web portal.

For example, the evaluation of the IEE projects addressing local authorities was completed in the first semester of 2015. The main findings confirmed that the IEE support had been relevant and effective and that it had contributed to better understanding of operational approaches to sustainable energy planning amongst the targeted public authorities.

*A main communication event for EASME in the Energy field was the ManagEnergy initiative, within 8 key stakeholders' meetings were organised. For example, the Energy Financing event attracted over 180 participants. In this event the Agency took an active part, featured a panel discussion on bankability with experts from the investment, finance and energy services sectors, and a market place where 22 IEE and H2020 projects presented their achievements to date.*

As part of Eltis, the Urban Mobility Observatory the 2<sup>nd</sup> European Conference on Sustainable Urban Mobility Plans took place on 16-18 June 2015 in Bucharest with more than 300 delegates.

The Agency communicated the IEE programme results at various other events in particular during the European Sustainable Energy Week 2015 (EUSEW), which the Agency organised in close cooperation with DG ENER. EUSEW has become the EU's

premier event for public authorities, energy agencies, private companies, NGOs and industry associations engaged in helping to meet the EU's energy and climate goals. EUSEW 2015 was an excellent opportunity to publicise the IEE and H2020 energy efficiency projects. Several of them organised an event on this occasion (e.g. Concerted Action on the Energy Efficiency Directive). In addition, the Agency organised two sessions with projects on buildings and transport, and one IEE project (EcoGator, a smartphone app to choose the most energy-efficient appliances) won one of the 3 EUSEW awards.

The COP21 and the OPEN DAYS were other good opportunities to publicise IEE projects results. In Paris the Agency participated in 2 of the 9 IEE COP21 projects events. During the OPEN DAYS, EASME organised 3 events, including one large workshop together with DG ENER and DG REGIO on financing energy efficiency in buildings, heating and cooling.

### **Policy feedback and promotion**

The IEE projects have produced a wealth of information, in particular regarding energy policy implementation issues: market barriers and ways to overcome them; stakeholders' opinions and effective sustainable energy solutions. The Agency continued to feed to the Commission with the most pertinent data. The Agency prepared a document to explain how policy feedback is organised between EASME and its parent DGs.

Throughout the year, numerous exchanges took place between the Agency's Project Advisors and the Commission's Policy Officers, in particular from DG ENER's Energy Efficiency Unit.

EASME participated in 4 working groups established by DG ENER: revision of the Energy Efficiency Directive; revision of the Energy Performance of Buildings Directive; Heating and Cooling Strategy; Vulnerable Consumers. The Agency also provided DG ENER with 6-monthly progress reports on energy efficiency investment volumes triggered by its Project Development Assistance projects.

Particularly noteworthy was the contribution of EASME to the Energy Efficiency Financial Institutions Group (EEFIG) working group discussions. The Agency took part in all meetings and provided EEFIG members with results from IEE projects. It led a working group with 25 members which developed a report on the evaluation of financial instruments for energy efficiency.

At the same time, the 3 Concerted Actions managed by EASME to support the implementation of respectively the Energy Performance of Buildings Directive (EPBD), the Energy Efficiency Directive (EED), and the Renewable Energy Sources Directive (RES) continued to be valued positively by both Member States and DG ENER. EASME intervened in all the plenary and management meetings.

***Example of EU-added value of the Intelligent Energy Europe programme:***

The Project Development Assistance Projects managed by EASME under IEE to help local authorities and other stakeholders prepare bankable projects have **managed to ensure EUR 120 million investments by 2015. Another EUR 495 million** are expected to be signed by ongoing projects in the following years.

The IEE programme has delivered tangible benefits for EU energy policy. Since 2007, IEE supported over 450 pan-European actions facilitating exchange of best practices and transfer of knowledge in the sustainable energy field among European organisations. Since 2007, IEE projects have reached out through the media to **more than 40 million people** across the EU, have delivered renewable energy equivalent to the annual electricity consumption of **7 million citizens**, have saved primary energy equivalent to the annual electricity use of **more than 2 million households**, and are expected to trigger **more than 4 billion EUR** of public and private investments in sustainable energy, with 1 euro of public investment leads to a gross revenue leverage effect of 6 times. A preliminary estimate of the annual primary energy savings expected from the ongoing IEE projects shows that they should exceed 312,000 toe/year, equivalent to the annual energy consumption of about 150.000 dwellings.

## 1.6 CIP-Eco-innovation (ABB 02.04 and 02.02) – Legacy programme

One of the key objectives of the Entrepreneurship and Innovation Programme (EIP) is to support eco-innovation. Eco-innovation projects focus on cleaner production, environmental management and new products and services to make sustainable development become a business reality.

EASME supports DG ENV in reaching the following specific objective 'competitiveness, industrial policy, innovation and entrepreneurship': *To turn the EU into a resource-efficient, green and competitive economy.*

Throughout the year the following activities were implemented:

- Monitoring of ongoing projects:
  - 198 projects ongoing at the beginning of the year, 155 open at the end of 2015.
  - EASME project advisors attended 48 project meetings during 45 missions and received coordinators of several projects in Brussels. (8 of these meetings/missions were joined by a financial officer).
  - 54 progress reports, 32 Interim Reports and 34 final reports were assessed. This number represents 92% of planned activities in this field.
  - 89 payments were issued, of which 33 second pre-financing payments, 35 final payments and 17 additional payments (4 first pre-financing payments). All of them were within the legal time to pay.
- A study on the results of Eco-innovation projects "Analysing and reporting on results achieved by CIP Eco-innovation market replication projects" was presented in a lunchtime session on 26 November (around 80 participants). The results were very good on environmental as well as economic impacts, as already indicated in the forerunner study conducted in 2013.
- The Agency provided input to a dedicated paper on policy feedback to the parent DGs. The document was presented to the Steering Committee.

*Encouraging results from the study:*

\* **Low deadweight: 98%** needed the CIP programme (40% would not have been implemented, 31% at a lower scale, 27% slower)

\* **Around 80%** of the eco-innovations had been already put to use by 2015

\* **Projects strengthen the EU economy: 9 jobs generated plus 4 jobs saved per project**

\* **Over 90%** of sales in the EU; over 90% sourcing from the EU

\* **Monetised environmental impacts: 1.2 billion EUR total global environmental benefit per annum**

\* **5.1 million tonnes of CO2 emission saved** - average annual emission of 1.8 million cars (all passenger cars in Ireland)

\* **198 million m<sup>3</sup> water saved:** = a quarter of the Austria' Lake Wörther (Wörthersee)

\* **2.2 million tons of oil equivalent saved:** = final energy use of the total Danish industry

\* **2.4 million ton of materials saved:** fills more than 6 of the largest container ships of the world

- Further communication activities/ dissemination of results
  - A session on "Best of Eco-Innovation"<sup>34</sup>: project success stories" took place on 21 May during the 18th Forum on Eco-Innovation in Barcelona.
  - A presentation on Eco-innovation impacts and policy-relevant projects was held to staff for the Economic and Scientific Policies Unit of the European Parliament on 28 May.
  - A report on Eco-innovation projects related to the Circular Economy was drafted and shared with DG ENV and Member of European Parliament C. Turmes, shadow rapporteur of the Circular Economy report.
  - Eco-innovation projects related to textile were presented at the European Textile Platform - Eco-I and LIFE presentation on 29 October in Brussels.
  - EASME provided input for the selection of best Eco-innovation projects in the framework of the Switchmed initiative<sup>35</sup>. A number of projects were considered to be among the best to be promoted for technology transfer to the Mediterranean countries to create new business opportunities.

*REBRICK is an example project of circular economy. This project set up the first market uptake of a new automated system to clean old bricks and reuse them. Bricks are sold both to renovation projects for existing buildings and to new construction where the builder wants to save the environment from CO2. Every new brick replaced with a reused brick saves the environment 0,5 kg CO2.*

#### **Example of EU added value of the Eco-Innovation programme**

Eco-innovation projects serve well, the SMEs, the main business force in Europe: around 2/3 of the participants are SMEs, 80% of which are micro to small companies of less than 50 employees.

The Eco-innovation study on impacts revealed further added value, such as for instance:

- The CIP eco-innovation grant is allowing SMEs to make changes in the market (e.g. expand their market or get access to new markets, access to finance, knowledge spillovers, gain new market perspectives, move towards new service-based business models, job creation or maintenance), even in the case of regulatory barriers.
- The importance of the collaboration amongst the consortium partners, among which in several cases, the end-users. Although this was not a formal requirement, a majority of projects (~70%) involved transnational partners from more than one country.
- The Eco-innovation programme makes it possible to achieve changes even in less innovative sectors through its concept of market replication and transferability of solutions.
- CIP Eco-innovation is reinforcing the competitive advantage of Europe as compared other parts of the world (e.g. in the field of ceramic production, where an own cluster of projects are developed).
- Eco-innovation funding can be used as a marketing tool

<sup>34</sup> Dedicated web-site: [http://ec.europa.eu/environment/ecoinnovation2015/1st\\_forum/event-best-of-eco-innovation\\_en.html](http://ec.europa.eu/environment/ecoinnovation2015/1st_forum/event-best-of-eco-innovation_en.html)

<sup>35</sup> [www.SwitchMed.eu](http://www.SwitchMed.eu) is collaboratively coordinated by the EU, United Nations Industrial Development Organisations (UNIDO), United Nations Environment Programme Mediterranean Action Plan (UNEP/MAP), its Regional Activity Centre for Sustainable Consumption and Production (SCP/RAC) and the UNEP-DTIE (Division of Technology, Industry and Economics). It supports and connects stakeholders to scale-up social and eco innovations in the Mediterranean.

Eco-innovation ongoing projects were assessed<sup>36</sup> to achieve an average leverage factor of around 20 (EUR 1 of public investment leads to a gross revenue leverage factor of 20 times, 2 years after the project ends) with an average net employment generation of around 8 individuals (full-time) per project. Converted into cash terms, the value of the total global environmental and economic benefit from the CIP Eco-Innovation initiative is put at more than EUR 1.6 billion over a span of 5 years.

## **1.7 Examples of specific efforts to improve economy and efficiency of financial and non-financial activities**

EASME is continuously fine-tuning its internal arrangements in order to improve the efficiency and economy of its operations. Two initiatives defined at the beginning of 2015 show how these principles were implemented in the Agency.

Following an audit on missions, the Agency decided to proceed with cost saving initiatives as regards the management of missions. The aim was to reduce the overall cost of missions through measures like simplification/rationalisation of the approval flow and promotion of alternative means instead of missions. In 2015 the Agency took concrete measures. Since September the missions requests and reimbursement circuits are paperless. Most of the processes related to missions are done via the dedicated IT tool MIPS that contribute to paperless signatory. In addition, in 2015 the use of the Web and Video conferencing tools ("Skype room") has increased, proving a real alternative to travelling.

Another measure, identified at the beginning of the year, was dedicated to the improvement of processes, aiming at efficient workflows. Therefore, in 2015 the Agency carried out an internal analysis of the HR recruitment and selection procedures and identified several suggestions that should make the recruitment and selection process more efficient. Further, the Agency performed a survey to capture staff's views on process improvements and simplification, which resulted in a list of 30 topics. Two concrete suggestions have been selected for implementation and are supported by a taskforce: the simplification of the Agency's approval flows and the implementation of paperless workflows and document management.

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<sup>36</sup> At the time of the study, 38% of the projects were closed already, which means that 62% of the figures relating to the end of the projects were forecasts. As the first project finished in 2011 only, all figures for two years after project closure are forecasts on the basis of Coordinator's indications and interpolations while accounting for an optimism bias to reduce overestimations. A follow-up study confirms the global results; however, the final report is to be delivered in the begin of 2016. For more: [http://ec.europa.eu/environment/eco-innovation/files/docs/publi/infographics\\_eco-innovation-final-hr.pdf](http://ec.europa.eu/environment/eco-innovation/files/docs/publi/infographics_eco-innovation-final-hr.pdf)

## 2. MANAGEMENT AND INTERNAL CONTROL

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

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

- the AOSD reports submitted by the Heads of Unit;
- the contribution of the Internal Control Coordinator, including the results of internal control monitoring at the Agency level;
- the audit reports of the ex-post control function;
- the opinion, the observations and of the recommendations reported Internal Audit Service (IAS);
- the observations and the recommendations reported by the European Court of Auditors (ECA).

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

This section reports the control results and other relevant elements that support managements' assurance. It is structured into (a) Control results, (b) Audit observations and recommendations, (c) Effectiveness of the internal control system, and resulting in (d) Conclusions as regards assurance.

### 2.1 Control results

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives<sup>37</sup>. The Agency's assurance building and materiality criteria are outlined in the Annex 4. In Annex 5 is outlined the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the control systems.

#### 2.1.1 Financial management

The EASME implements the delegated programmes autonomously with the Director acting as authorising officer by delegation (AOD). Accordingly, the Agency manages the **EU programme budgets** on a **direct management mode**. To this end, the Agency mainly awards grants through open calls for proposals while a small share of the programmes' budgets (10 to 13%) is also implemented through procurement contracts. In addition, the Agency manages its own administrative budget.

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<sup>37</sup> 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).

<b>Operational Budget</b>		<b>Administrative Budget (C1)</b>	
Commitments (Budget)	Payments (Budget)	Commitments (Budget)	Payments (Budget)
1,208,501,813	612,613,164	36,388,228	36,388,228

As regards the **Operational Budget**, the commitment appropriations (C1) amounting to a total EUR 1,208,501,813 have been fully implemented. From the total available payment appropriations (amounting to EUR 612,613,164), an amount of EUR 612,462,610 has been implemented, corresponding to an execution rate of 99.98%.

All financial operations (both operational and operating) are based on a **decentralised financial circuit** with an additional and full central "counterweight".

In 2015, the Agency managed financial operations for COSME, LIFE, H2020, EMFF programmes as well as for the CIP legacy. As indicated in the following table, the majority of the payment appropriations have been used for H2020 (i.e. 58.58% of the total) and for COSME (i.e. 14.08%).

The share of the CIP legacy has significantly decreased in 2015 representing 14.96% of the total payment appropriations (compared to 82.70% in 2014).

<b>Operational budget execution per programme – PAYMENTS 2015</b>	<b>Million EUR (all fund sources)</b>	<b>%</b>	<b>Million EUR (C1 appropriations)</b>	<b>%</b>
COSME	86.26	13.95%	86,22	14,08%
H2020	362.95	58.71%	358,78	58,58%
EMFF	6.11	0.99%	6,11	1,00%
LIFE	69.73	11.28%	69,72	11,38%
Legacy CIP EIP Network(2007-2013)	27.32	4.42%	26,99	4,41%
Legacy CIP IEE II(2007-2013)	50.7	8.20%	50,40	8,23%
Legacy CIP ECO (2007-2013)	15.16	2.45%	14,24	2,32%
<b>Total</b>	<b>618.23</b>	<b>100.00%</b>	<b>612.46</b>	<b>100.00%</b>

Table 11: EASME payments in 2015

The cumulative budget execution per programme:

<b>Operational budget execution per programme – PAYMENTS CUMULATIVE 2005-2015</b>	<b>Million EUR</b>	<b>%</b>
COSME	92.21	5.31%
H2020	374.10	21.52%
EMFF	6.11	0.35%
LIFE	69.72	4.01%
Legacy CIP EIP Network (2007-2013)	375.74	21.62%
Legacy CIP IEE I (2003-2006)	170.02	9.78%
Legacy CIP IEE II (2007-2013)	395.57	22.76%
Legacy CIP EIP Eco-innovation (2007-2013)	118.90	6.84%
MPO I (2003-2006)	19.73	1.14%
MPO II (2007-2013)	116.12	6.68%
<b>Total</b>	<b>1,738.22</b>	<b>100.00%</b>

Table 12: EACI/EASME payments cumulative 2005- 2015 (amounts in million EUR)

In addition to the highlights with regard to programme implementation mentioned under title 1.1, the table below shows the results against the targets as given in the 2015 Work Programme.

<b>Specific objective: the resources of the Agency are managed according to the principle of sound financial management and its underlying transactions are legal and regular.</b>																																				
<b>Indicator: time to pay (source of data: EASME.C1)</b>																																				
<b>Baseline (2014)</b>	<b>Target (2015)</b>	<b>Current situation (as achieved)</b>																																		
98 % of payments within legal deadlines <table border="1"> <thead> <tr> <th>Legal deadline</th> <th>Result</th> </tr> </thead> <tbody> <tr> <td>30 days</td> <td>98%</td> </tr> <tr> <td>45 days</td> <td>93%</td> </tr> <tr> <td>60 days</td> <td>100%</td> </tr> <tr> <td>90 days</td> <td>98%</td> </tr> </tbody> </table>	Legal deadline	Result	30 days	98%	45 days	93%	60 days	100%	90 days	98%	100% of payments within legal deadlines <table border="1"> <thead> <tr> <th>Legal deadline</th> <th>Target</th> </tr> </thead> <tbody> <tr> <td>30 days</td> <td>100%</td> </tr> <tr> <td>45 days</td> <td>100%</td> </tr> <tr> <td>50 days</td> <td>100%</td> </tr> <tr> <td>60 days</td> <td>100%</td> </tr> <tr> <td>90 days</td> <td>100%</td> </tr> </tbody> </table>	Legal deadline	Target	30 days	100%	45 days	100%	50 days	100%	60 days	100%	90 days	100%	94% of payments within legal deadlines <table border="1"> <thead> <tr> <th>Legal deadline</th> <th>Target</th> </tr> </thead> <tbody> <tr> <td>30 days</td> <td>95%</td> </tr> <tr> <td>45 days</td> <td>66%</td> </tr> <tr> <td>50 days</td> <td>100%</td> </tr> <tr> <td>60 days</td> <td>86%</td> </tr> <tr> <td>90 days</td> <td>98%</td> </tr> </tbody> </table>	Legal deadline	Target	30 days	95%	45 days	66%	50 days	100%	60 days	86%	90 days	98%
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average number of days to pay: 14 days 24 days  20 days 56 days	average number of days to pay (legal deadlines): 30 days 45 days 50 days 60 days 90 days	average number of days to pay: 13 days 44 days 10 days 39 days 49 days																																		
<b>Indicator: % of budget execution (commitments and payments) with respect to budget appropriations (source of data: EASME.C1)</b>																																				
<b>Baseline (2014)</b>	<b>Target (2015)</b>	<b>Current situation (as achieved)</b>																																		
operational budget <sup>38</sup> : 99.98% (commitments) and 99.98% (payments)	operational budget: 100% (commitments and payments)	operational budget: 100% (commitments) and 99.98% (payments)																																		
operating budget: 91% (commitments) and 76% (payments)	operating budget: 100% (commitments and payments)	operating budget: 99.07% (commitments) and 84.33% (payments)																																		
<b>Indicator: residual error rate in financial transactions (source of data: EASME.C1)</b>																																				
<b>Baseline (2014)</b>	<b>Target (2015)</b>	<b>Current situation (as achieved)</b>																																		
IEE II: 1.9%, Eco-inno: 1.0%, EEN: 1.8%	less than 2% of the total budget per programme	IEE: 2.45% Eco-Innovation:1.47% EEN: 1.73%																																		

Table 13: programme implementation

Overall, the objectives of the Agency are well met, despite a small deterioration in the legal payments deadlines. It should be noted that:

<sup>38</sup> C1 appropriations

- "30 days deadline": It relates to 65% of the overall payments made in 2015. The reason for certain late payments has been the lack of payment credits at the beginning of the year and IT bugs. However, despite the above mentioned challenges, it should be highlighted that the number of payments made within the 30 days deadline has increased from 686 in 2014 to 2,487 in 2015 (+265%).

- "45 days deadline": 24% of the late payments made in 2015. It should be highlighted that the total number of payments made within this category is very small (145 payments compared to the 3,366 total payments made in 2015).

The initially adopted Operating Budget 2015 (EUR 37,443,138) was modified by the Steering Committee as to reduce the overall amount of the budget by EUR 1.05 million, resulting in a final budget of EUR 36,388,228. The execution of commitment appropriations amounts to EUR 36,051,376 (99.07% of the available budget) and the execution of payment appropriations amounts to EUR 30,685,977 (84.33% of the available budget).

<b>Administrative budget title</b>	<b>Budget 2014<sup>39</sup> (million EUR)</b>	<b>Budget 2015<sup>40</sup> (million EUR)</b>	<b>Variation Budget 2015 / Budget 2014</b>	<b>Commitments made in 2015 (million EUR)</b>	<b>Payments made in 2015 (C1)<sup>41</sup> (million EUR)</b>
Title 1	16.399	23.016	+40%	22.896	22.509
Title 2	3.858	7.156	+85%	6.981	5.983
Title 3	4.227	6.216	+47%	6.174	2.194
<b>Total</b>	<b>24.484</b>	<b>36.388</b>	<b>+49%</b>	<b>36.051</b>	<b>30.686</b>

Table 14: administrative budget per title

The division of the administrative budget per programme delegated to the Agency is shown in the table below<sup>42</sup>.

<b>Programme</b>	<b>Budget 2014 Million EUR</b>	<b>Budget 2015 Million EUR</b>
COSME	6.626	8.048
H2020	13.93	20.825
LIFE	3.145	5.609
EMFF	0.783	1.906
IEE I and CIP IEE II	N.A.	N.A.
Marco Polo I and II	N.A.	N.A.
<b>Total</b>	<b>24.484</b>	<b>36.388</b>

Table 15: administrative budget per programme

At the end of each financial year, a special reporting on the implementation of the administrative budget applies, resulting in the decision of the European Parliament

<sup>39</sup> After budget transfers.

<sup>40</sup> indem

<sup>41</sup> C1 and C8 payments are: million EUR 34,161

<sup>42</sup> Initial foreseen 'ex ante'-budget, not actual costs paid by parent DGs 'ex post'.

regarding the discharge to the Director.<sup>43</sup> The Court has issued its report on the 2014 Annual Accounts of the Agency in 2015. The Court's opinion is that the annual accounts of the Agency are legal and regular in all material aspects and that they present fairly in all material respects the financial position of the Agency.

In April 2015 the Agency was granted discharge in respect of the implementation of the Agency's budget for the financial year 2013. The European Parliament is expected to give the discharge for the implementation of the 2014 administrative budget to the Director in the first semester of 2016. Since the beginning of the Agency's autonomy, each year the European Parliament granted discharge to the Director and did not raise observations which directly concern the implementation of the Agency's administrative budget.

## 2.1.2 Control effectiveness as regards legality and regularity

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

Regarding the legality and regularity of the underlying transactions, the objective is to ensure that the estimated residual risk of error is less than 2%, at the end of the implementation of the programme. The residual risk of error is estimated by the residual error rate obtained from an examination of value targeted sampled transactions<sup>44</sup> less any corrections made resulting from the supervisory and control systems in place.

As mentioned above, the programmes managed by EASME are implemented on direct management basis, which implies direct financial contributions through co-financed contracts signed with external parties. To have reasonable assurance that the payments authorised are accurate and compliant with the applicable and contractual provisions, EASME carries out ex-ante and ex-post controls. The ex-post control strategy and the recovery process contribute to the legality and regularity of expenditure on a multi-annual basis by systematically detecting and correcting errors. These elements complement ex-ante controls embedded in EASME's programme management processes.

As from 2015 the Agency is responsible for the full project cycle, following the end of the 2014 transitional measures (in-house management by parent DGs of certain phases of the project cycle).

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

The weighted average detected error rate of the legacy programmes, based on the Agency's multi-annual ex-post audit strategy is calculated at 2.18% (EUR 2.02M<sup>45</sup>). Apart from the legacy, the Agency performed payments to the newly delegated programmes (mainly pre-financings). It should be noted that a portion of the payments related to the new programmes (e.g. those on the SME instrument Phase I) are lump sums which are considered as of lower risk. However, the Agency, taking a conservative approach,

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<sup>43</sup> Standard financial regulation for executive agencies – Commission regulation 1653/2004 of 1<sup>st</sup> September 2004, Title VI as amended by Commission Regulation No 651/2008 of 9<sup>th</sup> July 2008.

<sup>44</sup> Such sampling is not fully statistical representative. However for the EASME programmes populations, based on our experience from managing the legacy programmes and to the best of our knowledge, there are no indications, at ex-post level, for inherently higher error rates in the larger participations; thus the value – targeted audits are considered as being a non-biased 'proxy, i.e. at least random enough to enable drawing conclusions from them. In accordance with DG BUDG guidelines, this approach is considered the second-best alternative a proxy to a fully representative or random sample.

<sup>45</sup> The amount is calculated based on 2015 payments of the legacy programmes amounting at EUR 93,187,992.80 x 2.18%.

applies the same weighted average error rate to those payments as well<sup>46</sup>. The amount at risk of the (legacy and new programmes) amounts in 2015 to EUR 13,467,199.13.

As far as the administrative budget is concerned, given the fact that it has been continuously audited by the European Court of Auditors without producing any material findings, the Agency considers the risk of error as low (i.e. around 0.1%).

Taking into consideration the above elements, the final weighted average error rate of the payments performed by the Agency in 2015 is 2.07% (EUR 13,5 M).

For EASME, the estimated overall amount at risk for the payments made in 2015 is EUR 13,501,359.72. This is the AOD's best, conservative estimation of the amount of expenditure authorised during the year (EUR 652.39M) not in conformity with the applicable contractual and regulatory provisions at the time the payment is made.

This expenditure will be subsequently subject to ex-post controls and a sizeable proportion of the underlying error will be detected and corrected in successive years.

DG BUDG provided the overall average corrective capacity of EASME at 5.31% of the average annual payments concluded by the Agency. The corrective capacity relates to the "estimated future corrections" ability of the Agency.

The corrective capacity based on the ex-post controls conducted by the Agency on interim and final payments over the period 2009-2015 is on average 0,19%<sup>47</sup>. The conservatively estimated future correction for those 2015 payments are EUR 1 174,637 (0,19% x 2015 operational payments (EUR 618.23M)). This is the amount of errors that the Agency conservatively estimates to identify and correct from controls that it will implement in the successive years.

Based on the information and the assessment of the elements, the Agency concludes that there are no reservations applicable to the EASME for the reporting year 2015 with the exception of the CIP IEE II (Budget line: 32.04 53 00) for which the residual error rate is estimated at 2.45% (see 4a on page 59).

### 2.1.3 Efficiency and Cost- Effectiveness

The principle of efficiency concerns the best relationship between resources employed and results achieved, namely the three time-to-indicators: time to pay (Art. 92.1 FR), time to inform, and time to grant (Art. 128.2 FR). The principle of economy requires 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 at the best price. The indicators used to depict the principle of economy are cost/benefit and cost/budget ratios.

Based on an assessment of the most relevant key indicators and control results, EASME has assessed the cost-effectiveness and the efficiency of the control system and reached a positive conclusion.

The control systems are divided into four distinct stages, each with specific control objectives for grant direct management, the core activity of the Agency. Key indicators have been defined for each stage.

#### *Stage 1: programming, evaluation and selection of proposals*

The first stage encompasses the preparation, adoption and publication of the Annual Work programme and Calls for proposals as well as the evaluation, ranking and selection

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<sup>46</sup> 2015 payments of the new programmes amount to EUR 525,043,882.20

<sup>47</sup> The corrective capacity excludes an ex-ante corrections, ROs on the EU Subsidy etc.

of proposals and informing the applicants on the results. The main **control objectives** of this stage are to ensure that the Agency selects the most promising proposals that contribute the best towards the achievement of the programme and operational objectives, as set out in the work programmes, and compliant with the eligibility, selection and award criteria.

**Key controls** include the thorough screening of proposals for eligibility, selection and award criteria, the evaluation of proposals by up to 5 independent experts and a panel review for the ranking of proposals. The list of approved proposals is checked for legal compliance by the AOSDs before it is submitted for a Commission inter-service consultation. These are key checks to ensure the excellence of the proposals to be funded and the legality and regularity of operations, since a compliance deficiency in the selection process would affect the regularity of all the ensuing grants.

## Key indicators

### 1a) Control effectiveness

	COSME	H2020 SME Instrument	EMFF	H2020 ENERGY	H2020 ENVIRONMENT AND RESOURCES	LIFE
% number of calls successfully concluded / number of calls planned in the AMP	92%	100%	100.00%	100%	100%	100%
% of budget value implemented / budget allocated (commitments from calls 2014 managed in 2015)	98.3%	100.0%	100.0%	99.2%	99.9%	99.8%
% of budget value implemented in 2015/ budget allocated (commitments from calls 2015)	60.4%	44.0%	6.7%	19.6%	26.0%	0.0%

In 2015, the Agency continued the management of the delegated programmes: COSME, H2020 SME, EMFF, H2020 Energy Efficiency, H2020 Environment and resources and LIFE. The Agency concluded successfully all the calls planned in the Annual Work Programme with exception of the Competitiveness of Small and Medium-sized Enterprises (COSME) where one of the calls "cluster excellence" was not concluded in 2015.

For the legacy programmes, no new calls have been launched since 2014. The legacy programmes are currently being phased out.

The Agency continued make commitments with the COSME, H2020 SME Instrument, EMFF, H2020 Energy Efficiency, H2020 Environment and resources and LIFE programme beneficiaries on calls that were published in 2014 but which were managed in 2015.

	COSME	H2020 SME Instrument	EMFF	H2020 ENERGY	H2020 ENVIRONMENT AND RESOURCES*	LIFE
% number of proposals evaluated positively / number of proposals received (evaluated positively= which entered negotiation phase)	79.04%	6.44%	86.67%	22.66%	6.99%	12.69%
number of proposals received	415	11142	15	481	787	1379
number of proposals evaluated positively	328	718	13	109	55	175
% value of proposals evaluated positively / value of proposals received (evaluated positively= which entered negotiation phase)	18.41%	4.07%	0.00%	8.92%	6.37%	7.22%
value of proposals received	85,101,132.00	6,668,852,644.32	369,651.00	1,174,078,243.00	4,768,492,216	3,285,325,016.00
value of proposals evaluated positively	15,666,292.50	271,665,691.00	0.00	104,703,553.00	303,829,442	237,255,762.00
% of redress cases (complaints) leading to re-evaluation / total number of evaluated proposals =	0.33%	*info is not yet available	0	0	0.10%	0
number of (eligible) proposals evaluated	301	559	13	478	961	1260
number of redress requests (complaints) received	6	*info is not yet available	0	11	20	3
% number of redress requests (complaints) received versus number of proposals evaluated	1.99%	*info is not yet available	0.00%	2.30%	2.08%	0.24%
number of redress requests (complaints) leading to a re-evaluation	1	*info is not yet available	0	0	1	0

\* the number of proposals evaluated is higher is than number of proposals received, due to the fact that some applications submitted in Phase I were also evaluated in Phase II as well.

As pointed out in part 1, the H2020 SME instrument continues to attract a record number of proposals showing a great interest of SMEs in the funding scheme. The number of redress cases is not yet available. The information letters have been sent to the applicants in the November 2015 session<sup>48</sup>.

For all the programmes, the Agency received a very low number of complaints ranging from 0% to 2.3% of the number of proposals evaluated. Two of the complaints led to re-evaluation of the proposals. The low number of redress procedures provides a good indication of the robustness of the grant award process and assurance on the effectiveness of the internal control system.

## 1b) Control efficiency

	TTG (TTI + TTS)	TTI	TTS
H2020	239 days	131 days	108 days
SME-instrument	Phase 1: 202 days Phase 2: 294 days	Phase 1: 71 days Phase 2: 75 days	Phase 1: 131 days Phase 2: 219 days
Non-H2020 (COSME+EMFF+LIFE)	243 days	123 days	120 days

For all the programmes the proposals are evaluated by independent experts. H2020 experts are managed by the Research Executive Agency. LIFE evaluations are carried out by experts of an external company and the evaluations are overseen by the LIFE unit of the Agency.

The time to inform targets for the H2020 programmes (with exception of the SME Instrument), COSME, LIFE<sup>49</sup> and EMFF were achieved and sometimes even earlier than originally scheduled. In the case of the SME Instrument, the target in Phase I was slightly exceeded (target of 61 days), whereas in Phase II the Agency managed to inform the applicants in a record time of 75 days (target is 122 days).

## 1c) Control cost-effectiveness

Based on the results shown above and particularly due to the very low number of complaints that has led to re-evaluations, the Agency concludes that the controls in place are cost-effective.

### *Stage 2: contracting: transformation of selected proposals into legally binding grant agreements*

The second stage concerns the final selected LIFE proposals and the negotiation of contracts (or 'adjustment' in the case of H2020). The overall **control objective** of this stage is to ensure that the actions and funds allocation is optimal (best value for public money) and the translation of each of the selected proposals into a legally binding grant agreement

<sup>48</sup> The applicants have 30 days to launch a complaint following the receipt of the information letter

<sup>49</sup> The Financial Regulation foresees the possibility of an exception to the rule (Article 128.2) in case of too large subscription in response to a call for proposals. The Agency faced with an oversubscription of proposals (1.300) in the LIFE programme (LIFE Call 2014), it considers the LIFE Call 2014 as an exception and will sign 60% of the LIFE Grant agreements within the TTG of 9 months and the remaining 40% within 12 months. Remedial actions include a close follow-up of KPI on grant agreement signature and remediating the limited resources allocated to the LIFE programme in EASME. In addition simplification of templates and forms will be introduced and an analysis of the external evaluation contract conducted together with providing additional training for the contractor.

allowing for sound management of both the operational and financial aspects of the project.

The negotiation process excludes work not directly contributing to the achievement of the programme objectives; substantiates the project costs; and determines the duration of the project and the contribution from the EU budget. It is the main tool for ensuring the economy and efficiency of the use of the budget appropriations. **Key controls** include: the implementation of the evaluators' recommendation; the hierarchical validation of the proposed adjustments; the verification of the operational and financial viability and the signature of the grant agreements by the AOSD.

It should be noted, that in the Horizon 2020 programme there is no negotiation phase. According to DG RTD's vademecum the proposals are expected to be mature and ready to be implemented. There can be minor modifications but only if introduced voluntarily by the consortium.

## Key indicators

### 2a) Control cost effectiveness

The achievement of the economy and efficiency control objective is measured by the indicator on the financial impact of the negotiation process, where applicable. The financial impact of the negotiation process is defined as the reduction (expressed as a percentage) of the EC contribution to the grant agreements as a result of the negotiation process for the programmes, for which that negotiation is still applicable.

Detailed figures are shown below<sup>50</sup>:

Financial impact of the adjustment process	COSME	H2020 SME Instrument	EMFF	H2020 ENERGY	H2020 ENVIRONMENT AND RESOURCES	LIFE
Financial impact of the negotiation/adjustment process: % reduction of the EC contribution to the grant agreements as a result of the negotiation process	0.90%	NA	0.55%	NA	0.28%	3.00%
number of grant agreements signed for calls 2015	17	552	13	58	51	173
EC funding requested in proposals (absolute value €)	14,373,297.68	5,484,952,383.65	13,260,790.57	110,021,124.00	302.725.822,50	237,255,762.00
EC funding provided through signed GA (absolute value €)	14,244,371.43	283,785,853.60	13,187,934.36	109,640,761.09	301.877.695,07	230,140,000.00
Difference between EC funding selected proposals and signed GA	128,926.25	NA	72,856.21	380,362.91	848,127 €	7,115,762 €

The average adjustment resulting from the negotiation process varies from 0,28% to 3,0%.

### 2b) Control efficiency

The table below gives an overview of the average time to grant of the various programmes managed by the Agency.

<sup>50</sup> Most of the grant agreements of the COSME 2015 actions will be signed in 2016.

Performance indicator	Programme	Number of SIGNED Grant Agreements	Target (days)	Average Result (days)
<b>TTG</b>	H2020 (Energy and Environment)	119	245	228
	H2020 Phase I SME-Instrument	582	92	202
	H2020 Phase II SME-Instrument	97	183	294
	H2020 - Innovation SME's	91	245	249
	Non H2020 (COSME+LIFE+ EMFF)	391	274	249

The time to grant indicator consist of two other indicators: time to inform and time to sign. The time of grant for the H2020 SME Instrument programme is not fully in line with the target dates. This can be explained by the following reasons: 5 weeks are used for the evaluation process including wrapping-up and preparing the selection decisions. Transfer of data from the evaluation IT environment (SEP) into the grant management environment (SYGMA) takes at least a week, since the introduction of the "Seal of Excellence" about two weeks. Afterwards, the grant preparation process (GAP) starts, which is largely determined by participant validation (also in 2015 over 70% of all SMEs applying are newcomers to the Framework Programmes), the ethical screening and evaluation, the security screening and, for Phase 2, the Commission selection decision where necessary. In a very few cases IT problems require interventions at the level of the IT back offices.

Despite the high number of applications, the current results of the implementation of the delegated programme are positive. The Agency managed to finalise 90% of all Phase 1 grants for the March cut-off date within 95 days and more than 90% of all Phase 2 grants for the same cut-off within 180 days. For cut off in June, the Agency signed 90% of grant agreements for Phase I within 99 calendar days, and 90% within 173 days for Phase II projects. The agreed time to grant targets for other H2020 programmes and for non H2020 programmes managed by the Agency (COSME, LIFE and EMFF) were achieved.

## 2c) Control cost-effectiveness

Based on the results mentioned above, i.e. the fact that the average adjustment results to 0,28% to 3,0%, the Agency concludes that that the controls in place are cost-effective.

### *Stage 3: Monitoring the execution*

This stage covers the monitoring of the operational, financial and reporting aspects related to the project and grant agreement. The main **control objectives** aim at ensuring that the operational results from the projects are of good value and meet the objectives and conditions; that the related financial operations comply with regulatory and contractual provisions; prevention of fraud and ensuring appropriate accounting of the operations.

**Key controls** include instructive guidelines for beneficiaries' meetings, operational and financial ex-ante checks, on the spot monitoring visits; suspension of payments when needed and submitting cases to OLAF in case of suspicion of irregularities/fraud.

### **Key indicators**

## 3a) Control effectiveness

Detected errors in ex-ante controls	COSME	legacy CIP EEN	H2020 SME Instrument	EMFF	H2020 ENERGY	legacy IEE	H2020 ENVIRONMENT AND RESOURCES	LIFE	legacy CIP ECO-Innovation
% detected errors vs total value of the costs claims submitted	0.84%	4.64%	0.00%	0.00%	0.00%	7.91%	0.00%	0.00%	14.69%
total value of cost claims controlled by ex ante level control	9,511,629.02	106,690,771.03	20,765,268.00	1,059,816.67	156,264.71	55,925,546.95	31,986.99	1,119.48	21,974,320.50
total value detected errors (= total costs claimed by beneficiary minus costs accepted ex-ante)	80,344.16	4,950,528.73	0.00	0.00	0.00	4,424,121.31	0.00	0.00	3,228,414.31

The ex-ante controls aim to identify and prevent irregularities, allowing for immediate correction and avoid time-consuming recovery actions at the time of the interim and final payments. As can be concluded from the table, the ex-ante controls result in a considerable amount of detected errors on the value of the cost claims submitted by the beneficiaries for a total of more than EUR 12 millions. It should be highlighted that due to the state of implementation of some of the newly delegated programmes, a lot of payments made in 2015 relate to pre-financings. Thus, over the years, as interim and final payments are taking place, the total value of detected errors at ex-ante level is expected to increase, which in its turn will increase substantially the value of the benefit of controls.

Finally, the benefits of the value of detected errors can vary in function of different factors such as more preventive and educative measures taken versus beneficiaries and the use of flat rates.

### 3b) Control efficiency

Average time to pay	COSME	H2020 SME Instrument	EMFF	H2020 ENERGY	legacy IEE	H2020 ENVIRONMENT AND RESOURCES	LIFE	legacy CIP ECO-Innovation
% of payments within the legal deadlines	95%	99%	100%	97%	95%	100%	100%	100%

As can be seen from the table above, overall the vast majority of the payments of the Agency are performed within the legal deadlines.

### 3c) Control cost-effectiveness

Based on the results shown above, the ex-ante controls have resulted in a considerable amount of detected errors on the value of the cost claims submitted by the beneficiaries totalling of more than EUR 12 millions. In addition, the Agency has made the vast majority of the payments within the legal deadlines. Thus, the Agency concludes that the controls in place are cost-effective.

#### *Stage 4: Ex-post controls: review, audits, monitoring and implementing results from ex-post audits and controls*

The main **control objectives** of this stage include detecting and correcting any error or fraud remaining undetected after the implementation of ex-ante controls, address systematic weaknesses in the ex-ante controls, and ensuring that the (audit) results from the ex-post controls lead to effective recoveries.

**Key controls** encompass ex-post controls carried out on a multi-annual basis and based on value-targeted sampling and completed with a number of risk-targeted audits to address specific risks. The ex-post audits are mainly performed by an external independent contractor, closely monitored by the Agency's ex-post control function. The corrective actions (recovery, payments) are implemented in accordance with the financial circuits and authorised by the AOSD.

In 2015, the Agency managed financial operations for COSME, LIFE, H2020, EMFF programmes as well as for the CIP legacy. The majority of the payment appropriations have been used for H2020 and for COSME. The share of the CIP legacy has significantly decreased in 2015 representing less than 15% of the total payment appropriations (compared to 82.7% in 2014). Given the fact that the majority of projects of the newly

delegated programmes to EASME had not reached the appropriate level of maturity (interim/ final payment), the ex-post audits focused exclusively on the legacy programmes of the Agency.

## Key indicators

### 4 a) Control effectiveness

The main legality and regularity indicator in this stage is the error rate detected by ex-post audits. Because of its multi-annual nature, the effectiveness of the control strategy of the Agency can only be fully measured and assessed in the final stages of EASME's multi-annual programmes, once the ex-post control strategy has been fully implemented and systematic errors have been detected and corrected.

The Agency's ex-post control strategy aims to detect and correct the most significant errors. The Agency focuses on value-targeted audits (aiming at cleaning the largest amount and thus maximising assurance). Such approach is based on selection criteria such as high amounts granted, high number of projects and geographical balance. This approach is considered more control-effective, result in higher returns on investment, has a dissuasive effect and is cost-effective.

In addition to the sample based audits, also exceptional and unique risk-targeted audits can be performed to a limited extent following the operational unit's field and desk controls indicating important risks, issues or problems. Due to their specific nature, error rates of these "targeted" audits are not included in the average error rate calculated on the total sample.

The Agency has performed ex-post controls to the CIP legacy programmes. For the COSME, LIFE and EMFF programmes the Agency started drafting a new multi-annual ex-post control strategy that will be finalised in 2016. All ex-post controls of H2020 projects will be performed by the Common Support Centre of DG RTD.

Multi-annual key indicators (ex-post controls 2008-December 2015)	IEE I	IEE II	CIP EIP EEN	CIP EIP Eco Innovation
	No changes in 2015	By 31/12/2015	By 31/12/2015	By 31/12/2015
Number of ex-post controls	51	63	59	22
Ineligible costs = detected error amount	98,200.72	322,229.62	688,430.00	78,241.16
Cost accepted and paid ex-ante (audited)	6,188,617.96	12,792,562.61	35,749,052.00	5,234,055.04
Detected error rate	1.59%	2.52%	1.93%	1.49%
Errors corrected (recovery orders recorded in ABAC before 31.12.2015)	97,531.72	261,828.30	543,363.00	33,523.16
Errors not corrected	669.00	60,401.32	145,067.00	44,718.00
Uncorrected error rate	0.01%	0.47%	0.41%	0.85%
% budget value parts audited <i>target 5% - 20% by 2020 (EPC Strategy 2014)</i>	4.00%	3.33%	12.73%	4.37%
% budget value parts not audited	96.00%	96.67%	87.27%	95.63%
Residual error rate = (% audited * uncorrected error rate)+ (% non audited * detected error rate)	1.52%	2.45%	1.73%	1.47%

In line with the guidance developed by DG BUDG on error rates, value at risk and materiality, the Agency decides whether or not to report a reservation in the AAR per programme.

The cumulative residual error rate is below the 2% threshold for CIP EIP EEN and CIP EIP Eco Innovation programmes managed by the EASME.<sup>51</sup>

For the CIP IEE II programme, given the results of the audits that took place in the course of 2015, the cumulative residual error rate at the year-end is estimated at 2.45%, above the materiality threshold of 2% foreseen for the multi-annual period (see section 2.4 below).

#### 4 b) Control Efficiency

Recovery status (ex-post controls 2008-December 2015)	IEE I	IEE II	CIP EIP EEN	CIP EIP Eco Innovation
% of value RO over detected error	99.3%	81.3%	78.9%	42.8%
detected error amount	98,200.7	322,229.6	688,430.0	78,241.2
errors corrected (before 31.12.2015)	97,531.7	261,828.3	543,363.0	33,523.2

From all the detected errors, overall 79% is recovered. The remaining 21% is mainly linked to final audit reports which have been issued near year-end and for which the recovery order is expected to be issued in Q1 2016.

#### 4c) Control cost-effectiveness

Cost effectiveness ration	
<b>Benefit/ Cost for ex-post controls carried out in 2015</b>	0.5
Value of ex-post benefits and recoveries	1,356,551
Value of ex-post cost controls	2,840,151

The cost related to the performance of ex-post controls and the implementation of the ex-post results exceeds the benefits generated in 2015.<sup>52</sup> This can be explained by the fact that in 2015 several ex-post audits have been committed but not yet finalised by the year-end. Moreover, most of the audit reports were finalised near the year end for which the recovery orders have not been issued yet.

Among the total value of the ex-post controls, the Agency has deducted an amount of EUR 30,664.43 of liquidated damages to the external contractor. The Agency applied liquidated damages due to the delay of the external contractor in submitting the final audit reports beyond the contractual time limits.

#### Conclusion on cost effectiveness

<sup>51</sup> On a multi-annual basis, risk based audits are not included.

<sup>52</sup> The benefits and costs of ex-post controls and implementation shown in table 4c) are related to ex-post controls carried out in 2015. The figures therefore cannot be compared with the figures of tables 4a and 4b which reflect the multi annual and cumulative indicators. Furthermore, for the benefits of the ex-post controls in 2015, the results of the risk based audits are included as well as they contribute to detect and correct errors as well as the representative audits.

Based on an assessment of the most relevant key indicators and control results, EASME has assessed the cost-effectiveness and the efficiency of the control system and reached a positive conclusion.

### **a) Benefits for the four stages of grant direct management**

Benefits of control	Prevented (*or: <i>dissuasive</i> )	Detected	Corrected
Stage 1 – Programming, evaluation and selection	<i>non-quant.</i>	-	-
Stage 2 – Contracting	€8,546,034.80	-	-
Stage 3 – Monitoring the execution (financial circuits)	€12,683,408.51	-	-
Stage 4 – Ex-post controls and recoveries	<i>non-quant. (*)</i>	€852,833.40	€503,717.54
<b>Total benefits (excl. the non-quantifiable benefits) =</b>	<b>€ 21,229,443.31</b>	<b>€852,833.40</b>	<b>€503,717.54</b>
<b>Total benefit</b>	<b>€ 22,585,994.25</b>		

#### **Stage 1: Programming, evaluation and selection**

**Qualitative benefits:** A good Work Programme and well published calls generate a large number of good quality projects, from which the excellent ones can be chosen. There will therefore be real competition for funds. Expert evaluators from outside the Commission bring independence, state of the art knowledge in the field and a range of different opinions. This will have an impact on the whole project cycle: better planned and better executed projects. Selection controls ensure that the most merited projects are funded which is a very significant but mostly qualitative benefit. With an otherwise 'random' funding of proposals, a significant part of the EU funds would have gone to less merited and thus maybe less effective projects.

#### **Stage 2 – Contracting**

**Quantitative benefits:** Difference between the budget value of the selected proposals and that of the corresponding grant agreements

**Qualitative benefits:** The whole committed budget is checked for quality (prevention of later errors). This stage should lead to a higher quality of technical results.

#### **Stage 3 – Monitoring the execution**

**Quantitative benefits:** value of errors detected during ex-ante desk checks (costs claimed - costs accepted/paid by EASME)

**Qualitative benefits:** the main non-quantifiable benefit of monitoring, processing amendments and scrutinising costs claims is to ensure the legality and regularity of the transactions (which could be seen as ensuring the near 100% regularity of the payments made).

#### **Stage 4 – Ex-post controls and recoveries**

**Quantitative benefits:** Value of the errors detected by the auditors (which have actually been corrected - offset or recovered), including value of the errors of targeted audits.<sup>53</sup>

<sup>53</sup> The benefits and costs of ex-post controls and implementation shown in table 4c) are related to ex-post controls carried out in 2015. The figures can therefore not be compared with the figures of table 4a) and 4b) in section 2.1.3 which reflect the multi-annual and cumulative indicators. Furthermore for the benefits of the ex-post controls in 2015, the results of the risk-targeted audits are included as well as they contribute to detect and correct errors, in addition to the value-targeted audits. See Annex 5.

**Qualitative benefits:** Deterrent effect, learning effect for beneficiaries, improvement of ex-ante controls or risk approach in ex-ante controls by feeding back findings from audit, improvement in clarity of the rules and guidance from feedback from audit. Improvement of the beneficiaries' internal control systems by implementing audit findings referring to management and control processes; this also has an educational effect and should help reduce errors in future cost declarations; enhancement of the beneficiaries' discipline for correctly reporting eligible costs by demonstrating that their probability to be audited is not negligible; improvement of EASME's internal controls to reduce future overpayments.

**b) costs for the four stages of grant direct management**

<b>Internal cost of controls</b>				
	<b>FTE</b>		<b>Other (external) inputs</b>	<b>Total</b>
	<b>Officials and Temporary Agents</b>	<b>Contract Agents</b>		
<b>Stage 1 – Programming, evaluation and selection</b> Preparation, adoption and publication of the Annual Work Programme and Calls for proposals; Selecting and awarding: Evaluation, ranking and selection of proposals	€1,105,808.00	€2,099,652.00	€ 1.660.750,90 <sup>54</sup>	€4,866,210.90
<b>Stage 2 – Contracting</b> Transformation of selected proposals into legally binding grant agreements	€ 1,105,808.00	€ 2,099,652.00	N/A	€ 3,205,460.00
<b>Stage 3 - Monitoring the execution:</b> operational, financial and reporting aspects for project and grant management	€ 5,134,110.00	€ 9,748,384.00	N/A	€ 14,882,494.00
<b>Stage 4 – Ex-post controls and recoveries:</b> reviews, audits, monitoring, implementing results	€ 552,904.00	€ 1,049,826.00	€ 622,691.00	€ 1,602,730.00
<b>Total Costs</b>	<b>€ 7,898,630.00</b>	<b>€ 14,997,514.00</b>	<b>€ 2,283,441.90</b>	<b>€ 24,556,894.90</b>

The staff costs of controls related to the four stages of grant management have been calculated taking into account all staff of the operational units and finance unit directly

<sup>54</sup> Costs related to experts of H2020 programmes are not included in the above calculations since these costs are paid by the Research Executive Agency and at this stage no detailed figures are available.

dealing with grant management. The Agency estimated that about 80% of the Agency's staff is directly involved in managing projects. This allocation key has then been applied to the overhead costs and indirect support such as the resources and directorate unit.<sup>55</sup>

The above table includes exclusively the internal costs of control incurred by the Agency as well as the costs incurred by the ex-post controls contractor. However, the above figures should be read with caution as the Agency incurs additional external costs during the project management process such as payments to H2020 experts during the evaluation of proposals phase and costs related to the validation of legal entities. H2020 costs paid by REA are excluded.

Based on the assessment of the most relevant key indicators and control results, EASME has assessed the cost-effectiveness and the efficiency of the control system and reached a positive conclusion. 2015 has been a special year for EASME since the Agency grew considerably in size and the Agency managed the newly implemented programmes as well as the CIP legacy. The project is contracted under the calls published in 2014 and 2015, were mainly subject to controls related to the first stages of the project implementation cycle. The cost effectiveness calculation thus does not yet include the specific quantitative benefits of controls that are traditionally incurred at the later stages of the grant management cycle. Once the projects have reached the later stages of the grant management cycle, namely the monitoring and ex-post control phases, the Agency predicts to have proportional increase in benefits that will be better reflected in the cost benefit table. As an example, for certain programmes all payments performed in 2015 related to pre-financings, thus the benefits from ex-ante controls had not yet been materialised. Taking into account the above, one can consider that the controls in EASME are cost effective.

EASME quantifies the cost of resources and inputs required for carrying out the controls described in Annex 5 and estimates, as far as possible, their benefits in terms of amount of errors and irregularities prevented, detected and corrected by these controls. Overall, in 2015 the cost of controls carried out by the Agency for the management of the budget appropriations slightly outweighs the quantitative benefits of internal controls mainly due to fact that the new programmes were at a relatively early stage of maturity (stage of pre-financings) thus they created costs without necessarily having considerable benefits yet. Also over the year, the share of the CIP legacy programmes decreased significantly representing a mere 14,96 % of the total payment appropriations compared to 82,70 % in 2014.

In addition, there are certain benefits that are non-quantifiable such as in the programming phase, selection to finance projects that would contribute to the achievements of the policy objectives, and the deterrent effect of ex-post controls. These controls are considered to bring undoubted benefits for the Agency.

Finally, given the fact that EASME's number of staff has doubled whilst the operational budget has increased six fold, the cost/budget ration will be even further improved due to the economies of scale during the current multi annual financing framework. The ratio of administrative costs compared to the operational budget implemented in 2015 is 5.5%. The above figure shows a drastic reduction in the proportion of administrative costs incurred by the Agency compared to 2014.

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<sup>55</sup> Specific posts related to IT and communication not directly related to grant management were excluded. The repartition of staff workload over the 4 stages has been estimated as follows: 14% for stage 1; 14% for stage 2; 65% for stage 3 and 7% for stage 4. Then, the number of FTE per stage have been multiplied with the Commission standard "all-in" costs (134.000€ per year for Officials and Temporary Agents; 70.000€ for Contractual Agents, including the administrative costs linked to employment of the person such as buildings, electricity, IT, etc.). The total of staff control costs (excluding external costs) amounts to 22.896.144,00 €

## 2.1.4 Fraud prevention and detection

By decision of the Director of 6 June 2014 an Anti-Fraud Committee (AFC) was set up. Its role is advisory on external fraud cases. The Committee is mandated to discuss potential fraud cases and recommend to the Director of the Agency the appropriate course of action. During the year the AFC met twice (March and September) and was convened once (in December) through the written procedure. During the reporting year seven new cases were transmitted to OLAF for investigation.

EASME implemented its anti-fraud strategy as foreseen in the Commission's overall anti-fraud strategy<sup>56</sup>. The internal control strategy of the Agency includes guidance to project officers on how to deal with red flags. The Agency's list of red flags is regularly monitored and results are communicated to management. The Agency performed a followed up of the action plan of the Anti-Fraud strategy and decided to perform a fully-fledged update in 2016.

In addition, the Agency was actively involved in the preparation of the Anti-Fraud strategy for Horizon 2020, led by the Common Support Centre.

The Agency in cooperation with OLAF organised a series of training courses on fraud prevention and detection for newcomers. The content of these courses is regularly updated to include lessons learned from fraud cases of the research family. The Agency actively participates in the Fraud and Irregularities in Research Committee (FAIR) as well as in the Fraud Prevention and Detection Network (FPD Net) meetings, chaired by OLAF.

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<sup>56</sup> COM(2011) 376 24.06.2011.

## 2.2 Audit observations and 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 Agency is audited by external independent auditors: the Commission Internal Audit Service (IAS) and the European Court of Auditors (ECA).

Following the audits of the ECA and the IAS performed in 2015, and taking into consideration the mitigating controls in place, and that the action plans are implemented as foreseen, EASME considers that there is no material impact on the achievement of the internal control objectives and therefore on assurance.

The following audits were carried out during the period of reference and resulted in the following conclusions:

### *IAS*

The objective of the second follow-up audit on the **control strategy of the Agency** was to assess the progress made by the Agency in implementing the specific recommendations of the initial audit carried out in 2013. The initial audit concluded that the internal control system in place provides reasonable assurance regarding the achievement of the business objectives set up and issued four very important recommendations on: (i) reviewing and formalising the Agency's overall control strategy; (ii) strengthening the ex-ante checks; (iii) separating the ex-post control function from the IAC function and (iv) finalising the anti-fraud strategy and developing guidelines on financial penalties and liquidated damages. The Agency implemented several actions in the course of 2015, such as updating the ECO Innovation methodology for analysing financial statements, including ex-ante checks. Based on the results of this second follow-up audit, the IAS assessed that the two remaining recommendations have been adequately implemented and the audit is closed.

A new audit covered the preparedness of the management and control systems for the **SME Instrument in EASME**. The audit concluded that the Agency managed successfully the SME Instrument in 2014 and proposed 3 very important recommendations that would further improve the control environment under which the SME Instrument is implemented. EASME established an action plan on the accepted recommendations to implement the recommendations of the auditors. The action plan was deemed satisfactory by the IAS. The vast majority of the recommendations are planned to be implemented in the first half of 2016. The implementation of the recommendations is on time, according to the agreed action plan.

Another new audit covered the preparedness of the management and control system for **LIFE 2014-2020**. In January 2016, the Agency received the Final Audit Report, which concluded that the Agency has successfully implemented LIFE in 2014 and proposed 3 very important recommendations. EASME accepted all the recommendations included in the audit report. According to the IAS opinion, the revised action plan for LIFE audit is satisfactory<sup>57</sup>. The Agency has already started working on the mitigating controls to tackle the risks identified by the IAS.

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<sup>57</sup> Ares(2016)761511 - 12/02/2016

The Agency was also sampled to be part of the IAS' horizontal, multi-DG **audit on objective setting process** in Management Plans. The IAS did not have any specific issues to report directly to EASME. However, EASME agreed with the recommendation related to the implementation of a reporting system, aimed to define the data to be monitored and reported on by EASME to DG CLIMA.

In addition to the IAS audits, the Agency continues to implement the remaining Internal Audit Capability's (IAC) recommendations with regard to the IAC audits on missions and payroll. The implementation of the actions will be finalised in the beginning of 2016.

The IAC's recommendations on the document management (2012) have been implemented during the year and closed.

#### *European Court of Auditors (ECA):*

##### **Operational budget**

Regarding the DAS 2014 operational budget, the Court sampled three commitment transactions in February and in April for their reliability of the accounts audit. ECA did not issue any finding.

##### **Administrative budget**

With regard to the Agency's administrative budget, for which it receives a subsidy from the EU budget, the Court examines the Agency's accounts and financial transactions in accordance with Article 248 of the Treaty on an annual basis.

The ECA administrative budget audit on 2014 administrative accounts part II took place in March 2015. It focused on budget implementation, accounting and HR procedures. New, more reliable, IT tools have been internally developed in view of better forecasting the administrative budget, especially on salaries. Furthermore, an IT tool (*BlueBell*), provided by another Executive Agency, will be tailor-made for EASME and taken up for the planning and monitoring of the administrative budget. The Finance unit has taken several follow-up measures since the audit to increase the implementation rate of the Agency's administrative budget. The surplus has now been substantially decreased.

#### **Implementation of audit recommendations**

Regarding the implementation of recommendations issued in previous years, the relevant action plans are (being) implemented as planned and are well on schedule. None of the recommendations issued by the IAS auditors, classified as very important, are overdue more than six months. As mentioned above, the current state-of-play does not lead to assurance-related concerns. IAS concluded<sup>58</sup> as follows: "*The internal control systems audited are overall working satisfactorily although a number of very important findings, in particular on the control strategy for the SME instrument and LIFE programme, remain to be addressed in line with the agreed action plans as listed in the appendix*".

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## 2.3 Assessment of the effectiveness of the internal control systems

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

EASME has put in place the organisational structure and the internal control system 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.<sup>59</sup>

Within 2015 Work programme the Agency has set the following specific objectives:

<b>Specific objective:</b> an effective, reliable and cost-efficient internal control system to ensure that 1) reasonable assurance can be given that resources assigned are used according to the principles of sound financial management, 2) risk of errors in operations is minimised and 3) the control procedures put in place give the necessary guarantees concerning the legality and the regularity of the underlying transactions.		
Indicator	Target 2015	Current situation (as achieved)
Effectiveness of the prioritised Internal Control Standards and requirements (source of data: management self-assessment survey, EASME.C01)	100%	79%  This number refers to the perception on the effectiveness of the priority of the ICS and is based solely on the iCAT self-assessment survey.  The management considers that the priority standards are effective. (For more information see below)
Percentage of staff trained on internal control (source of data: EASME.C01)	70 % of staff nominated to take part in the iCAT	N/A since no training was deemed necessary by the iCAT participants (i.e. management team).  Awareness raising videos which provided key information to staff on priority internal control standards were made and published in 2015.

<sup>59</sup> Out of 16 Internal Control Standards, ICS n°14 is not applicable, as evaluation of EU programmes and legislation remain the responsibility of the parent DGs. According to its Act of Delegation (4c), the Agency contributes to these evaluations of the parent DGs.

Number of critical / very important accepted audit recommendations (made by ECA and IAS) overdue for more than six months (source of data: EASME.C01)	none	none
Degree of implementation of mitigating measures for critical risks (source of data: EASME.C01)	100%	no critical risks were identified
<b>Specific objective:</b> minimisation of the level of fraud through application of effective anti-fraud measures based on the Agency's anti-fraud strategy (AFS), aimed at the prevention, detection and reparation of fraud, and their integration in all activities of the Agency.		
Indicator	Target 2015	Current situation (as achieved)
percentage of staff trained on anti-fraud	80% of staff (project advisers and financial officers)	54% of newcomers (FOs and POs) were trained during two fully-booked sessions organised in cooperation with OLAF.
the anti-fraud strategy of the Agency is up-to date (source: internal monitoring, EASME.C01)	<ol style="list-style-type: none"> <li>1. An updated Anti-Fraud strategy, including for Horizon 2020 (research family)</li> <li>2. Anti-fraud committee will meet a min. of 4 times and will issue reports on potential cases to be communicated to OLAF</li> </ol>	<ol style="list-style-type: none"> <li>1. A new H2020 anti-fraud strategy has been established by the Common Support Centre in 2015. The Agency performed the annual monitoring of the Antifraud action plan and considered that a fully fledged review of the anti-fraud strategy will be performed in 2016.</li> <li>2. The Anti-fraud Committee of the Agency met 3 times during 2015. All potential cases of fraud were discussed during the meetings as well as the follow up actions and the potential fraud cases were communicated to OLAF.</li> </ol>
<b>Indicator:</b> regular monitoring of the implementation of the anti-fraud strategy and reporting on its result to management (source: internal monitoring, EASME.C01)	Twice a year	The annual monitoring of the implementation of the anti-fraud strategy (i.e. the action plan) took place in July 2015. A fully fledged updated anti-fraud strategy will be performed in 2016.

Table 16: control environment

The Agency annually assesses the effectiveness of its internal control system in accordance with the applicable Commission guidance. The assessment relies on a number of monitoring measures and sources of information including (i) the assessment of the internal control compliance and effectiveness by the Internal Control Officer and the results of the management<sup>60</sup> self-assessment; (ii) the AOSDs' Management declarations confirming no counter-indications; (iii) relevant audit findings, (iv) the risk assessment process and v) monitoring results of the anti-fraud action plan.

The functioning of the internal control system has been closely monitored throughout the year by the systematic registration of exceptions (under ICS 8) and internal control weaknesses (ICS 12). The underlying causes behind these exceptions and weaknesses have been analysed and corrective and alternative mitigating controls have been implemented when necessary.

The Agency started the iCAT exercise, targeted to management (senior and middle management level), in November 2015 in order to assess and to have an informed judgment on the overall perception on the effectiveness of the three priority Internal Control Standards (ICS): ICS3 Staff Allocation and Mobility, ICS7 Operational Structure and ICS8 Processes and procedures. The iCAT assessment is used to identify the effectiveness of the implementation of controls in place and how well they are perceived to work in practice. The Agency reached 62% completion rate, thus considers that the results present a representative view to draw relevant conclusions. The overall effectiveness rate of the priority standards reached 79% (2014: 74 %), which constitutes a improvement since 2014.

ICS 3 staff allocation and mobility is effectively implemented; the Agency has continued its growth in 2015 and continually managed a significant amount of recruitment and efforts in integrating newcomers. iCAT results show that the Agency's senior and middle management considers that they have sufficient and relevant information about the priorities and staff workloads and that the staff has the required and available skills.

ICS 7 operational structure is partially effectively implemented: the Agency has continued its growth from 2014 to 2015 thus the Agency will continue to optimise its organisational structure and reorganisation.

In addition, a working group was created to tackle reorganisation issues. The results of the work and the proposal on internal reorganisation was agreed by the Steering Committee in December. The proposal will now be send to the Commission's Central Services for approval.

To substantiate its work on optimising the organisation of the Agency and in view of future discussions on resources, the Working Group on Organisation also decided to perform a workload analysis at EASME. Based on the methodology of the relevant recent CBAs, a pragmatic and cost-effective approach has been developed. The finalisation of the task is planned for June 2016.

In its work programme for the reporting year, the Agency had foreseen a number of measures to improve the effective implementation of the ICS 8 Processes and Procedures by updating them to reflect the new programmes. EASME operates in a challenging environment managing 4 new and 3 legacy programmes under the supervision of 7 parent DGs. In 2015, EASME has made further progress in documenting, reviewing and updating its procedures through the year and will continue to further update and review them when applicable. For example, in an effort to streamline its reporting activities and to reduce the administrative burden of both the Agency and the parent DGs, EASME decided to replace its quarterly reporting system with a biannual and an annual activity report. The above initiative would increase the value of information to the users of the

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<sup>60</sup> Internal Control Self-Assessment (iCAT survey) on the 2014 reporting period performed in November 2014

reports, reducing the administrative burden for the Agency but also for the parent DGs which have to review a smaller number of more substantial reports.

ICS effectiveness	EASME		EACI	
	2015	2014	2013	2012
3 Staff Allocation and Mobility	81%	70%	68%	81%
7 Operational Structure	77%	79%	83%	92%
8 Processes and Procedures	78%	72%	83%	92%

Table 17: results of the iCAT exercise 2015

### Risk assessment

During the year the Agency monitored regularly its Risk Register. In November the Agency conducted its annual risk assessment exercise. The major risks identified by the exercise are included in the EASME Risk Register. The identified high risks were communicated to the Steering Committee. For all the identified risks an action plan with deadlines was created and its implementation is ongoing and will be monitored accordingly. No critical or cross-cutting risks were reported during the annual exercise.

In addition, EASME is working closely with DG RTD and the Research Executive Agency (REA) to analyse the results of an "ex-post verification exercise" of the self-declarations of the SME status in the H2020 SME Instrument programme. The exercise was conducted by REA as a pilot project at the end of 2015. Following the analysis of the conclusions of this exercise, corrective actions will be taken as necessary.

In conclusion, the internal control standards in the Agency are effectively implemented in 2015 as none of the above mentioned minor improvement needs have a major impact on the assurance. In the context of the current revision of the internal control standards framework and subsequent reporting requirements, the Agency reserves its right to reassess the selection and reporting of the priority internal controls standards in the light of the revision of the COSO<sup>61</sup> framework. As in 2014, The Agency will continue to grow and optimise its organisational structure and management of the delegated programmes. The management will take additional measures to carry.

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<sup>61</sup> The Committee of Sponsoring Organizations of the Treadway Commission (COSO)

## 2.4 Conclusions as regards assurance

This section reviews the assessment of the elements reported above and draws conclusions that supports the declaration of assurance and whether it should be qualified with reservations.

**Overall, management has reasonable assurance that, 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, in his capacity as Authorising Officer by delegation has signed the Declaration of Assurance, albeit qualified by a reservation concerning the CIP IEE II.**

The information reported stems from the results of management assessment and relevant audits. These 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 EASME.

Management has reasonable assurance that overall suitable controls are in place and work as intended; risks are being mitigated and/or monitored; improvements and reinforcements are being implemented.

The audit results, the internal control assessment and the control indicators do not reveal any significant weaknesses and do not fulfil any of the materiality criteria laid down in Annex 4 to the AAR with the exception of the ex-post controls of CIP IEE II programme. For this programme, given the results of the audits that took place in the course of 2015, the cumulative residual error rate at the year-end is estimated at 2.45%, above the materiality threshold of 2% foreseen for the multi-annual period. Therefore, in the context of the AAR 2015, a reservation is introduced concerning the IEE II programme (Budget line: 32.04 53 00).

Remedial actions have already been taken by the Agency in 2015 and will continue during the course of 2016. The Agency has intensified further its ex-ante controls on the IEE II programme, in an effort to detect and correct errors earlier in the lifecycle of the projects.

More specifically, the Agency has already implemented:

- A workshop, with the operational and financial teams of EASME, to share lessons learned from the execution of the ex-post controls, prevent and detect errors earlier enhancing further its ex-ante controls;
- A communication to all IEE II beneficiaries took place. It highlighted the most common sources of errors and provided useful tips in order to avoid them.

Moreover, the Agency will continue to address the issue during the course of 2016 aiming at a final multi-annual error rate below 2% for the IEE II programme. Specifically the following actions will take place:

- Increase the ex-post audit coverage of the IEE II programme aiming at a reduced residual error rate at the end of the multi-annual ex-post audit strategy.
- Intensify the awareness raising campaign towards the beneficiaries of the IEE II programme.
- Further analyse the recent IEE II ex-post audit results to investigate if the EASME ex-ante controls needs to be further strengthened.

At the end of 2015 the EASME had no outstanding very important/ critical recommendations overdue for more than 6 months. The vast majority of the audit findings issued before 2015 have been addressed within a reasonable time frame.

The lessons learned from the indicators of ex-ante and ex-post controls together with the strengths and weaknesses highlighted in the audits conducted in 2015, lead to the conclusion that the Agency has reasonable assurance<sup>62</sup> that its internal control system is adequately designed and that it works as intended.

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<sup>62</sup> Even an effective internal control system, no matter how well designed and operated, has inherent limitations – including the possibility of the circumvention or overriding of controls – and therefore can provide only *reasonable assurance* to management regarding the achievement of the business objectives and not *absolute assurance*.

### 3. DECLARATION OF ASSURANCE AND RESERVATION

Overall, the risk relating to the legality and regularity of the underlying transactions remains within the materiality threshold of 2% for the legacy programmes CIP EEN and Eco-Innovation. In 2015, the Agency managed financial operations for COSME, LIFE, H2020, EMFF programmes as well as for the CIP legacy. The majority of the payment appropriations have been used for H2020 and for COSME. The share of the CIP legacy has significantly decreased in 2015 representing less than 15% of the total payment appropriations (compared to 82.7% in 2014).

The weighted average detected error rate of the legacy programmes, based on the Agency's multi-annual ex-post audit strategy is calculated at 2.18%. Apart from the legacy, the Agency performed payments to the newly delegated programmes (mainly pre-financings). It should be noted that a portion of the payments related to the new programmes (e.g. those on the SME instrument Phase I) are lump sums which are considered as of lower risk. However, the Agency, taking a conservative approach, applies the same weighted average error rate to those payments as well. The amount at risk of the operational payments (legacy and new programmes) amounts in 2015 to EUR 13,467,199.13.

As far as the administrative budget is concerned, given the fact that it has been continuously audited by the European Court of Auditors without producing any material findings, the Agency considers the risk of error as low (i.e. around 0.1%).

Taking into consideration the above elements, the final weighted average error rate of the payments performed by the Agency in 2015 is 2.07%

#### Corrective capacity

DG BUDG provided the overall average corrective capacity of EASME at 5.31% of the average annual payments concluded by the Agency. The corrective capacity relates to the "estimated future corrections" ability of the Agency.

The corrective capacity based on the ex-post controls conducted by the Agency on interim and final payments over the period 2009-2015 is on average 0,19%

Taking into account the above considerations, the overall risk, relating to the legality and regularity of the underlying transactions of the Agency in 2015, remains lower than the materiality threshold of 2%.

Based on the information and the assessment of the elements, the Agency concludes that there are no reservations applicable to the EASME for the reporting year 2015 with the exception of the CIP IEE II (Budget line: 32.04 53 00) for which the residual error rate is estimated at 2.45% .

# DECLARATION OF ASSURANCE

*I, the undersigned,*

*Director of the Executive Agency for Small and Medium-sized Enterprises*

*In my capacity as authorising officer for the operating (administrative) budget and authorising officer by delegation for the operational budget*

*Declare that the information contained in this report gives a true and fair view<sup>63</sup>.*

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

*This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex-post controls, the opinion of the Internal Auditor on the state of control 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 Executive Agency for Small and Medium-sized Enterprises or those of the Commission here. However, the following reservation should be noted:*

- *For the ABB activity 32.04: Legacy programme of the Competitiveness and Innovation Framework Programme - Intelligent Energy Europe II.*

*Brussels, on 14 March 2016*

*/signed/*

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*(signature)*

*Patrick Lambert*

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<sup>63</sup> True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG/Executive Agency.

## Reservation 1

<b>DG</b>	EASME
<b>Title of the reservation, including its scope</b>	Reservation concerning the rate of residual error within cost claims in the Intelligent Energy Europe II (IEE II) 2007-2013
<b>Domain ABB activity and amount affected (= "scope")</b>	IEE II programme (2007-2013): Direct management grants paid by EASME. Budget line: 32.04 53 00: 50,7 million euros of payments performed in 2015
<b>Reason for the reservation</b>	At the end of 2015, the multi-annual residual error rate is not below the materiality threshold foreseen for the multi-annual period.
<b>Materiality criterion/criteria</b>	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 the reporting year within the IEE's II management lifecycle, a reservation would be made.
<b>Quantification of the impact (= actual exposure)</b>	The maximum impact is calculated by multiplying the residual error rate by the amount of IEE payments based on cost statements authorised in 2015 by EASME i.e. EUR 70.9 M. The latter amount includes the full grant value of the grants for which the balance payment was made in 2015 e.g. interim-final payments performed in 2015 and their related pre-financing payments cleared this year. It is estimated that the residual error rate is at 2.45%. Thus the estimated impact in 2015 is EUR 1,737,743.82.
<b>Impact on the assurance</b>	Legality and regularity of the affected payments made against cost claims. Corrective actions have already been established and performed by EASME. The residual error rate of the IEE II programme 2007-2013 is above the materiality threshold of 2% for the legality and regularity of the financial transactions, and leads to this reservation. However, its effect on the overall declaration of assurance is limited, considering that the amount at risk corresponds to 0.2% of the total budget execution in terms of payments in 2015 within the Agency (1.7 Mio/652 Mio =0.26%)
<b>Responsibility for the weakness</b>	The main reasons for errors are:  - 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 beneficiaries; - The fact that due to the high number of beneficiaries, ex-ante checks are performed on a sampling basis for each cost statement  EASME improved its ex-ante financial guidelines and communicated it towards beneficiaries. The above can mitigate these risks to a certain extent.
<b>Responsibility for the corrective action</b>	In 2015, the Agency has intensified further its ex-ante controls on the IEE II programme, in an effort to detect and correct errors earlier in the lifecycle of the projects. Specifically, the Agency has already implemented the following remedial actions: (a) a workshop, with the operational and financial teams of

EASME, to share lessons learned from the execution of the ex-post controls, prevent and detect errors earlier enhancing further its ex-ante controls; (b) communicated to all IEE II beneficiaries the most common sources of errors and providing useful tips in order to avoid them.

Moreover, the Agency will continue to address the issue during the course of 2016 aiming at a final multi-annual error rate below 2% for the IEE II programme. Specifically the following actions will take place: (a) increase the ex-post audit coverage of the IEE II programme aiming at a reduced residual error rate at the end of the multi-annual ex-post audit strategy; (b) intensify the awareness raising campaign towards the beneficiaries of the IEE II programme; (c) further analyse the recent IEE II ex-post audit results to investigate if the EASME ex-ante controls needs to be further revised.

However, the results in terms of (lower) error rates are not expected before AAR 2017 as the measures described above will take time to have an impact. The reason being that there will be a minimum 1-year gap between closing projects and audit results becoming available.

## **Action Plan to address the reservation for IEE II**

### **A) Training**

During 2015, and once the preliminary results of the ex-post control strategy became available, a workshop with the operational and financial teams of EASME, to share lessons learned from the execution of the ex-post controls, prevent and detect errors earlier enhancing further its ex-ante controls took place. During the workshop Financial Officers and Project Advisers were trained on the most common errors identified during the ex-post controls. Additionally, the procedure of ex-ante controls was reviewed and a brainstorming session on how to improve ex-ante controls took place.

### **B) Communication / Guidance to Beneficiaries**

During 2015 a communication campaign targeting beneficiaries took place. During this communication the most common errors identified at ex-post control level were disseminated to all project coordinators. In addition, during the meetings between project advisers and beneficiaries, specific points on financial management and control are raised.

### **C) Continued audit and control**

EASME will carry out an appropriate number of ex-post audits based on cost effectiveness considerations together with recovery actions to ensure a reduction of the residual error rate.

However, the results in terms of (lower) error rates are not expected before AAR 2017 as the measures described above will take time to have an impact. The reason being that there will be a minimum 1-year gap between closing projects and audit results becoming available.