



2016

Annual Activity Report

**Innovation and
Networks Executive
Agency**



2016 represents the full consolidation of the Innovation and Networks Executive Agency (INEA) after two years of transition and transformation following the Commission Decision¹ to extend the mandate of the Trans-European Transport Network Agency (TEN-T EA) from 2014 to 2020 under the new name of INEA. Our core tasks remain programme and project implementation with the motto '**making implementation happen.**'

2016 has been a specially challenging year due to the implementation of new and innovative activities such as the launch of a first ever Synergy Call covering the Connecting Europe Facility (CEF) Transport and Energy sectors and the assessment of the Cost Benefit Analysis by experts during the CEF-Transport Calls 2015 evaluation.

It has been also a year of joint efforts with the Commission to put in the spot light key projects such as the CEF Energy Baltic connector project between Finland and Estonia to end energy isolation, signed in the presence of the Commission President Juncker.

We have continued to dedicate our efforts towards enhancing partnerships with our beneficiaries and our parent DGs. In Horizon 2020 the Agency has been very active in organising several workshops with the projects coordinators to identify synergies and common issues, such as the workshop on smart grids and storage and the Cooperative-ITS. The CEF programme has also organised some workshop such as the Air Traffic Management (ATM) or the Motorways of the Sea (MoS) ones.

A further achievement of 2016 has been the establishment of the H2020 project review and payment workflows for Horizon 2020. As the first projects unfolded and the first results were delivered, the Agency provided the first input into policy feedback to the parent DGs on how the co-financed projects under INEA's portfolio could contribute into the policy making and future regulatory initiatives in the areas of Horizon 2020 energy and transport.

The reporting year also saw the further phasing out of the two legacy Programmes, TEN-T 2017-2013 and Marco Polo II.

While the first two years of INEA the Agency concentrated on the takeover and implementation of the new Programmes delegated to us (CEF and Horizon 2020), in 2016 we have focused to the further reinforcement of the internal control system (creation and update of all financial procedures, establishment of a multi-annual HR Strategy, development of a multi-annual audit strategy, etc.).

INEA has established seven specific objectives in the INEA Annual Work Programme (AWP) for 2016 related to the management of the successor and legacy Programmes. In addition, a horizontal objective on the efficient use of resources was also included. I am very pleased to conclude that INEA has successfully achieved its objectives and targets for 2016 and will endeavour to continue to do so in the coming years.

Dirk Beckers - Director of INEA

¹ Commission Implementing Decision of 23 December 2013 establishing the Innovation and Networks Executive Agency and repealing Decision 2007/60/EC as amended by Decision 2008/593/EC.



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THE EXECUTIVE AGENCY IN BRIEF

From 1 January 2014, the **Innovation and Networks Executive Agency (INEA)** was delegated responsibilities by the Commission that cover the management of the following Programmes:

2014-2020 Programmes



2007-2013 Programmes



The **Connecting Europe Facility (CEF)** is a key EU instrument to promote growth, jobs and competitiveness by investing in European infrastructure. It supports the development of high-performing, sustainable and interconnected Trans-European Networks in the fields of transport, energy and telecommunications.

Horizon 2020 is the EU's biggest ever programme for research and innovation that aims to ensure Europe produces world-class science and technology that drives economic growth. INEA manages parts of the programme related to transport and energy research: 'Smart green and integrated transport', and 'Secure, clean and efficient energy.'

The indicative budget to be managed by INEA for these two Programmes amounts to €34 billion for the period 2014 – 2020 with the overwhelming part allocated to CEF Transport.

The **TEN-T and Marco Polo II Programmes** are the predecessors of CEF Transport. The TEN-T Programme supports the development of European transport infrastructure with high added value for improving European mobility as a whole. The Marco Polo Programme aims to ease road congestion and the pollution it causes by promoting a switch to greener transport modes for European freight traffic. The implementation of these legacies has contributed to the preparation of the CEF project pipeline for 2014-2020.

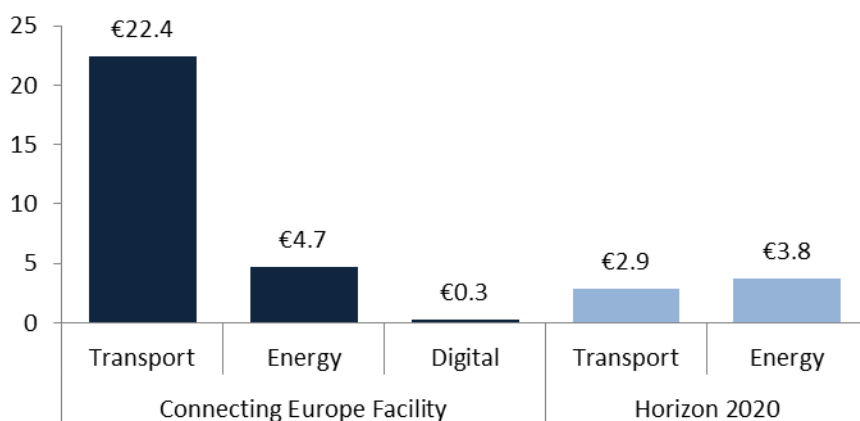
The Agency's mission is to support the Commission, project promoters and stakeholders by providing expertise and high quality of programme management to infrastructure, research and innovation projects in the fields of transport, energy and telecommunications and to promote synergies between these activities, to benefit economic growth and EU citizens.

The Commission, and in particular INEA's four parent Directorates General (DG)², define the policy, strategy, objectives and priorities of the programmes, and through the Steering Committee are also responsible for supervising and monitoring the Agency's implementation activities. INEA is responsible for managing the projects benefitting from

² DG Mobility and Transport (MOVE), DG Research and Innovation (DG RTD), DG Communications Network, Content and Technology (DG CONNECT) and DG Energy (DG ENER).

CEF, Horizon 2020, TEN-T and Marco Polo funding, for making the necessary checks (including ex-post audits for CEF, TEN-T and Marco Polo) and recovery procedures, for performing budget implementation tasks covering revenue and expenditure within the meaning of Regulation (EU, Euratom) No 966/2012, and for assisting the Commission in certain programme- and project-related tasks which are reserved for the Commission under Decision C(2013)9235 final³ and as set by the Memorandum of Understanding (MoU) between INEA and its four parent DGs, as appropriate.

Graph 1 Overview of the budget per programme managed by INEA for the period 2014-2020 (€ billion)



INEA’s status as an Executive Agency (EA) means it has two fundamental features: 'autonomy' because it has its own legal personality and can adopt legal acts, and it has its own operating budget for operating costs; and 'dependence' because it can only perform tasks delegated by the Commission, and all financial operations must comply with the General Financial Regulation (FR) and its Rules of Application as well as the Standard Financial Regulation. The Agency’s Director has a delegation from the Commission to act as Authorising Officer by Delegation to implement the operational budget directly. INEA’s operating budget is governed by a specific regulation for executive agencies, which closely follows the FR whilst allowing for any specific requirements. The Director acts as Authorising Officer for the operating budget - and accounting for the operating expenses is the responsibility of the Agency's own Accountant.

INEA is based in Brussels and at the end of 2016 had a multi-national team of 225 staff representing 26 EU nationalities. They include specialists in finance, project management, transport, energy, telecom, engineering and legal affairs.

³ Decision C(2013) 9235 of 23 December 2013 delegating powers to the Innovation and Networks Executive Agency with a view to the performance of tasks linked to the implementation of Union programmes in the field of transport, energy and telecommunications infrastructure and in the field of transport and energy research and innovation comprising, in particular, implementation of appropriations entered in the general budget of the Union.



EXECUTIVE SUMMARY

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

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

In 2016, INEA has continued to contribute to the following general objectives of the Commission⁵, as established in the multi-annual Strategic Plans (SPs) 2016-2020 of its four parent Directorates-General (Mobility and Transport; Energy; Research and Innovation; Communication Networks, Content and Technology) as follows:

- 'A New Boost for Jobs, Growth and Investment'
- 'A Connected Digital Single Market'
- 'A Resilient Energy Union with a Forward-Looking Climate Change Policy'
- 'A Deeper and Fairer Internal Market with a Strengthened Industrial Base'

In addition, the Agency has directly contributed to the following specific objectives of its parents DGs as defined in their SPs, through the execution of the delegated programmes:

- 'A modern European transport infrastructure: Ensure the effective implementation of funding for the Trans-European Transport Network under the Connecting Europe Facility and under the innovative financial instruments (EFSD)'.
- 'Further work towards a well-functioning and fully integrated internal market, including with interconnections'.
- 'The digital economy can develop to its full potential underpinned by initiatives enabling full growth of digital and data technologies'.
- 'Tapping the job and growth potential of the energy sector and further developing energy technologies'..
- 'Ensure an effective and efficient implementation of Horizon 2020 and other RTD programmes and to maximise synergies'.
- An innovative transport sector: Ensure the effective implementation of funding for research and innovation activities in the transport area under Horizon 2020'

In 2016, INEA has delivered important outputs in order to meet its 2016 objectives established in its Annual Work Programme (AWP) 2016. This has included the evaluation of 31 calls for proposals or group of topics with a total volume of 1,063 full submitted

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

⁵ 10 long-term political priorities defined by President Juncker in the Political Guidelines that have been endorsed by the European Parliament and have been emphasised in his mission letters addressed to the Commissioners.

proposals and 1,013 eligible proposals evaluated. 447 GAs were signed within the time to grant targets. These projects have fed into the growing project portfolio of the Agency which counts by the end of December 2016 with 1215 on-going grants. In addition, 146 projects have been closed in 2016. 833 financial transactions (pre-financing (PF), further pre-financing, interim payments (IP) and final payments (FP)) have been executed for a total of €2,446 million, which represents 100% of the payment appropriations for the year.

The programmes' execution and the functioning of the Agency have been supported by the effective execution of the administrative budget with over 21.9 € million paid representing 94.6% of the allocated budget.

Programme support activities have been further developed which have included the development of a performance framework for the CEF Transport sector (CEF-T), the further development of the IT TENtec system to support the project lifecycle for all the three CEF sectors, the INEA operational budget strategy, the Multi-annual Audit Strategy, the HR Strategy and the CEF ex-ante Control Strategies for the three sectors as well as the revision of the Manual of Procedures. For Horizon 2020, interim ex-ante controls were adopted and have been used until the common ex-ante controls procedures were agreed with the Common Support Centre (CSC). Project review and payment workflows have been established for Horizon 2020 resulting in 44 IPs and FPs for 2016.

As regards communication support to the Programmes, the organisation of the Info Days for the calls launched in 2016 have attracted almost 25,000 participants (including streaming connections) and an overall amount of 226,000 twitter impressions.

In terms of events, a highlight has been the TEN-T Days in Rotterdam on 20-22 June organised by DG MOVE in cooperation with INEA which combined for the first time the transport infrastructure projects of TEN-T and CEF with the research and innovation transport aspects under the Horizon 2020 Transport Challenge managed by the Agency. For Horizon 2020, one of the most important events has been the TRA2016 conference in Warsaw on 18-21 April with some of the Agency's projects being exhibited and presented.

INEA had the honour to welcome DG MOVE Director-General Henrik Hololei in January, followed by DG RTD Director-General Robert-Jan Smits in April and Commission Vice President Maroš Šefčovič in June. In addition, Commissioner Bulc and Vice President Šefčovič were keynote speakers at INEA's Workshop 'Exchange of Experiences on CEF Implementation: Dialogue with Beneficiaries' at the TEN-T Days.

At the end of December 2016, INEA has 225 staff with 14 recruitments confirmed and on-going selections to complete the remaining posts as per recruitment plan for 2016⁶. The semi-permanent CAST and its new data base for CAST laureates have supported the selection process.

⁶ See section 2.2 for further details

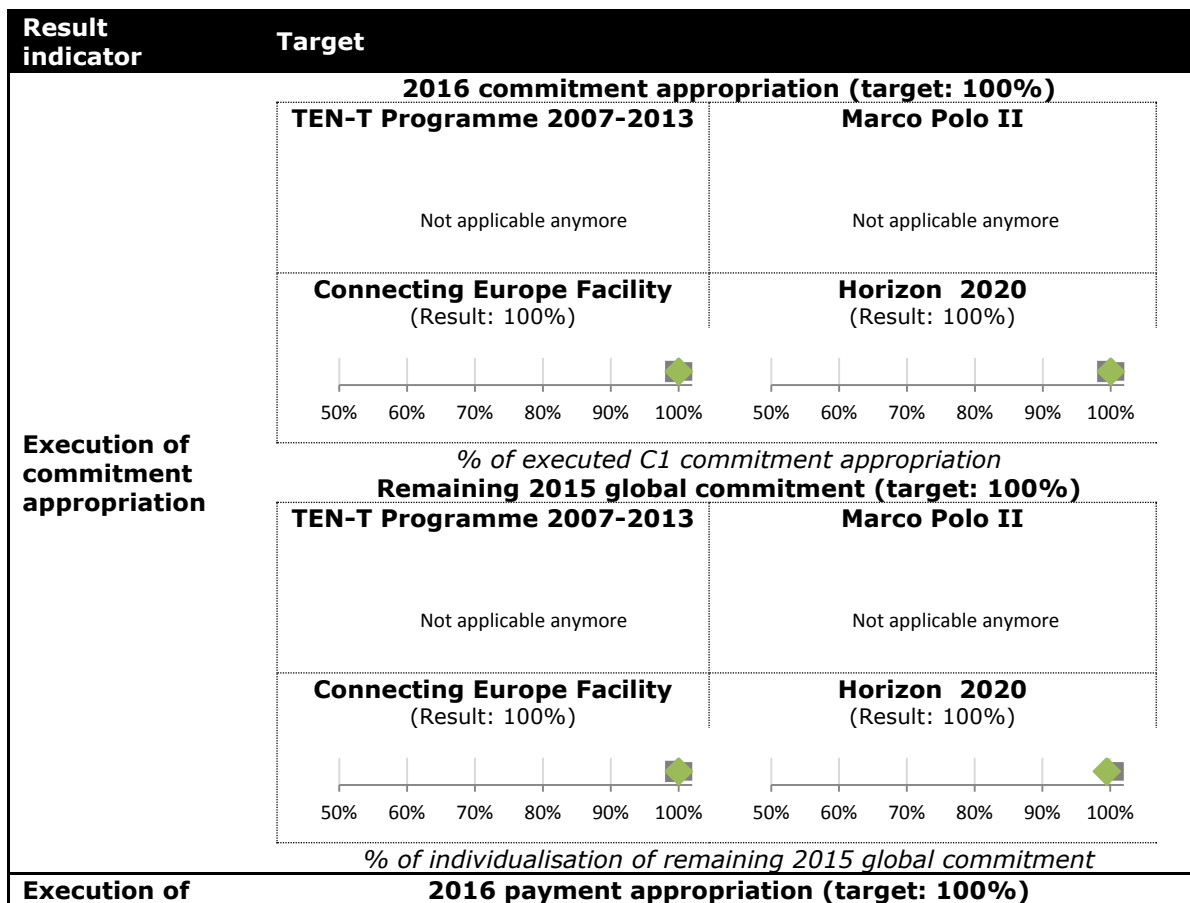
b) Key Performance Indicators (KPIs)

The Agency identified five key performance indicator targets for 2016:

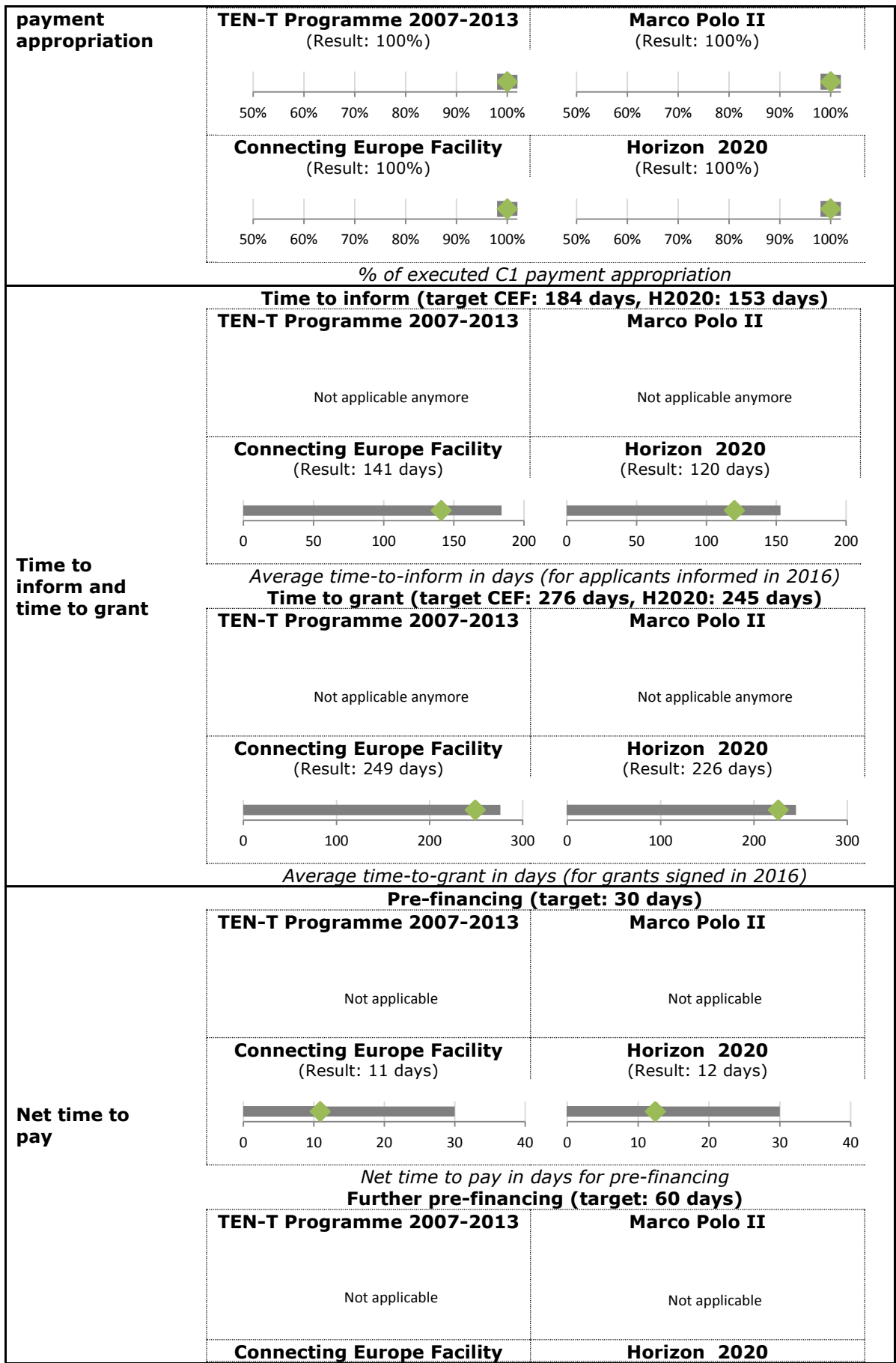
- The rate of execution of commitment appropriations
 - Execution of C1 commitment appropriation
 - Individualisation of the remaining global commitment of 2015
- The rate of execution of payment appropriations
- Time to inform (TTI) and time to grant (TTG)⁷
- The net time to pay
- The residual multi-annual error rate identified at ex-post control

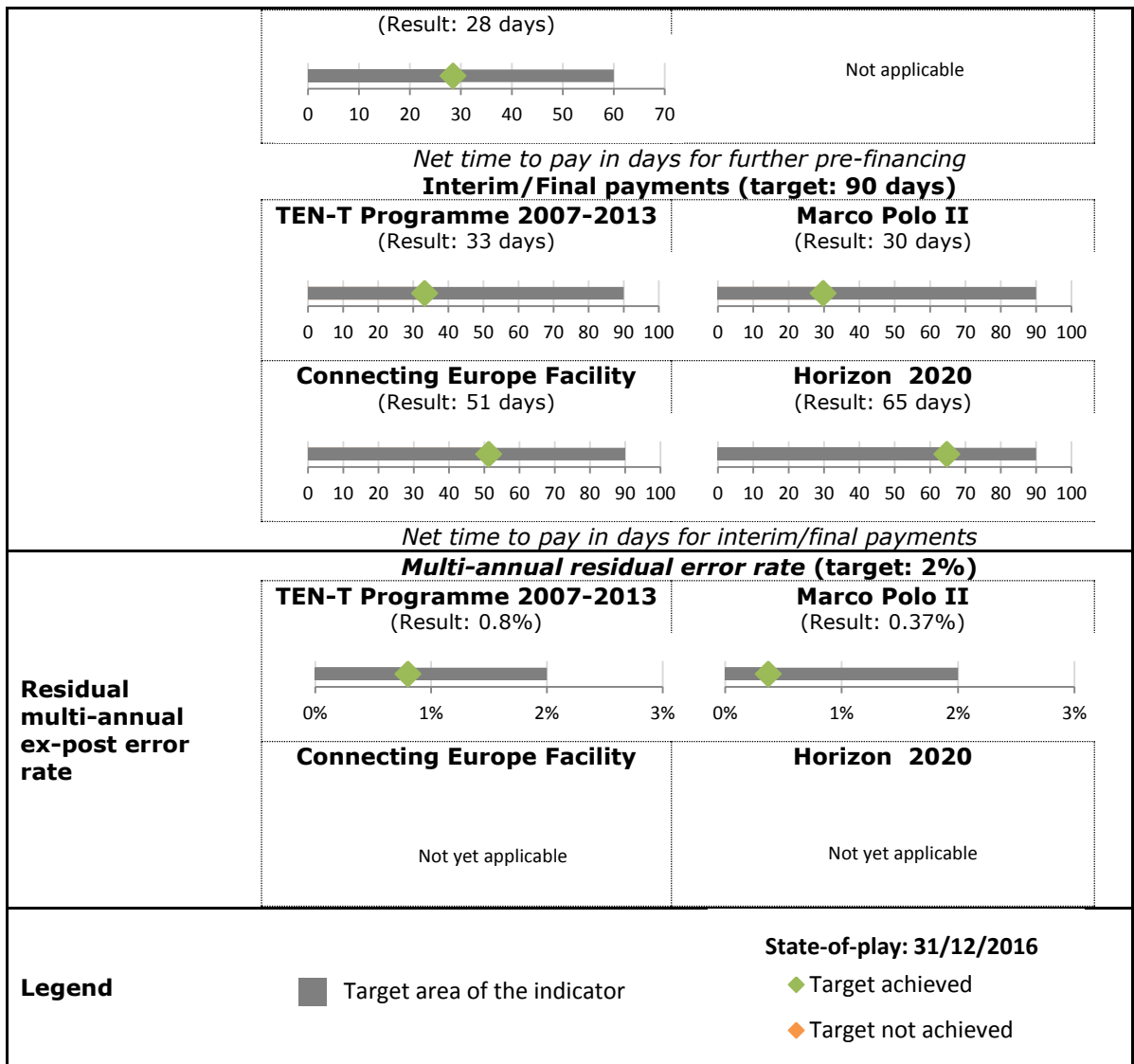
The results are presented graphically in the following section, showing that all of the targets were achieved.

Graph 2 Overview table on KPI graphics per Programme and sector



⁷ The time to grant includes also the time to inform which is also reported in the present report for completeness.





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

In accordance with the governance statement of the European Commission, (the staff of) INEA 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. The financial regulation requires that the organisational structure and the internal control systems used for the implementation of the budget are set up in accordance with these standards. INEA has assessed the internal control systems during the reporting year and has concluded that the internal control standards are implemented and function as intended. Please refer to AAR section 2.1.3., for further details.

In addition, INEA has systematically examined the available control results and



indicators, as well as the observations and recommendations issued by the Internal Audit Service and the European Court of Auditors. These elements have been assessed to determine their impact on the management's assurance as regards the achievement of control objectives. Please refer to Section 2.1 for further details.

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

d) Information to the Commissioners

In the context of the regular meetings during the year between the Director and the parent DGs on management matters, also the main elements of this report and assurance declaration, have been brought to the attention of the agency's Steering Committee and to the parent DGs Directors General, who have taken these into consideration in his(her) reporting to Commissioner Violeta Bulč, responsible for Transport, Vice-President Maroš Ševčovič, responsible for Energy Union, Commissioner Miguel Arias Cañete, responsible for Climate Action and Energy, Vice-President Andrus Ansip, responsible for Digital Single Market, and Commissioner Carlos Moedas, responsible for Research, Science and Innovation.



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

1.1 Achievement of General and Specific Objectives

INEA's contribution to the parent DGs' general objectives has been broken down in 7 different specific objectives related to the different programmes and sectors under its management. These specific objectives are grouped in two main blocks, the Connecting Europe Facility and its legacy programmes (TEN-T and Marco Polo) and Horizon 2020 including its specific sectors Energy and Transport within the Societal Challenges Specific Programme. The following are the achievements of the year for each specific objective in relation to the targets defined in the Annual Work Programme 2016.

1.1.1 The Connecting Europe Facility (CEF)⁸ and Transport Legacy

The Connecting Europe Facility (CEF) finances infrastructure projects in the transport, energy and telecommunication sectors. The projects contribute to making Europe smarter, cleaner, and more competitive by promoting sustainable transport solutions, high speed broadband connections and are contributing to the Energy Union. By focussing on smart, sustainable, innovative and fully inter-connected transport, energy and digital networks, the CEF contributes to the implementation of the Single European Market. INEA manages the EU-supported projects under CEF, in total €27.4 billion under the current financial perspectives. In addition to the implementation of the CEF Programme, INEA is completing the operational and financial management of two transport legacy Programmes which are the predecessors to CEF: TEN-T and Marco Polo II. The implementation of the legacies contributes to the completion of the TEN-T network.

- The implementation of the transport legacy and the successor programme by INEA has contributed to DG MOVE specific objective 'A modern European transport infrastructure: Ensure the effective implementation of funding for the Trans-European Transport Network under the Connecting Europe Facility and under the innovative financial instruments (EFSI)'. This has contributed to the following Commission general objectives:
 - 'A New Boost for Jobs, Growth and Investment'
 - 'A Connected Digital Single Market'
 - 'A Resilient Energy Union with a Forward-Looking Climate Change Policy'
 - 'A Deeper and Fairer Internal Market with a Strengthened Industrial Base'

⁸ Regulation (EU) No 1316/2013 of the European Parliament and of the Council of 11 December 2013 establishing the Connecting Europe Facility, amending Regulation (EU) No 913/2010 and repealing Regulations (EC) No 680/2007 and (EC) No 67/2010, OJ L 348, 20.12.2013, p. 129.

1.1.2 Specific Operational Objective 1 - Legacy of the TEN-T Programme

Support for the development and implementation of a performing Trans-European Transport Network, through the effective and efficient technical and financial management of the TEN-T Programme 2007-2013 legacy – continuing the added value and expertise of the Agency.

Technical and Financial Management

The Agency has continued with the successful approach followed in the past years to manage the TEN-T project portfolio and closely monitor the Programme with a view to achieving adequate budgetary execution and fulfilling the planned objectives and implementation.

At the beginning of 2016, only one project was still open under the 2000-2006 Programme. This remaining project was managed by the Commission in the light of a dispute, and INEA provided legal, technical and administrative support to the Commission. The project was closed in April 2016.

As regards the execution of the TEN-T 2007-2013 in the last 8 years, the project portfolio development can be summarised as follows:

Graph 3: TEN-T Programme 2007-2013 globally (699 adopted Decisions: 45 cancelled, 396 closed, 258 ongoing)

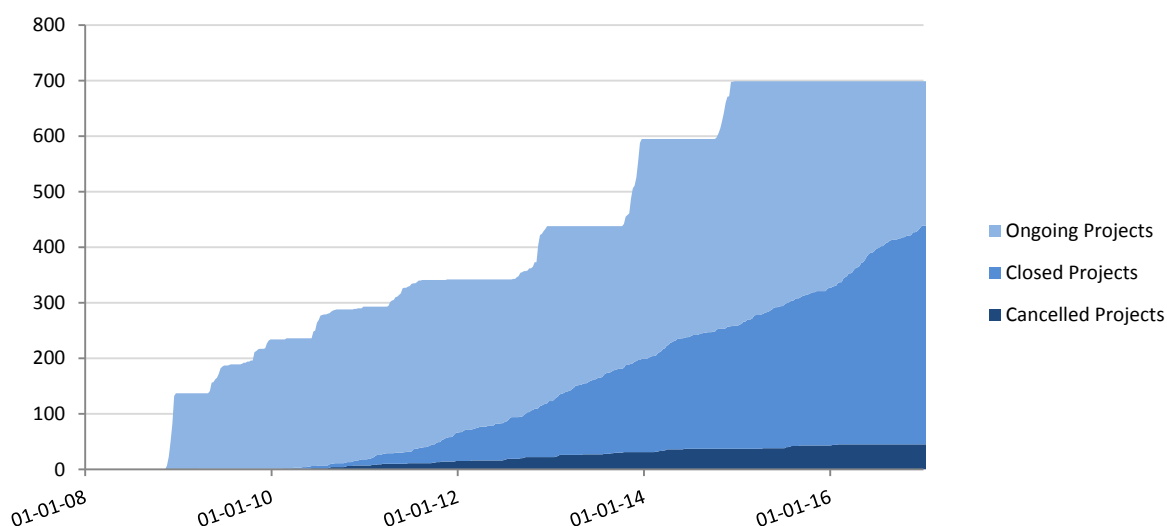


Table 1 Overview of TEN-T project management

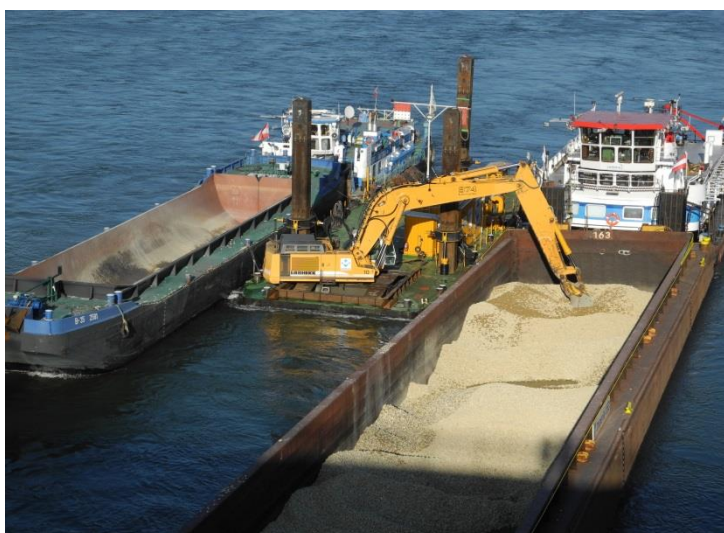
Ongoing projects on 01/01/16	Projects cancelled/closed in 2016	Amendments pending on 01/01/2016	Amendment requests received in 2016	Amendment requests adopted/approved
372	114	10	1	11

All TEN-T Actions had come to an end by 31 December 2015. The activities carried out in 2016 were related to the closure of these Actions, i.e. on-site visits to verify the degree of completion of the Actions and processing final payment requests.

The following project is presented as an example of the TEN-T portfolio:

Implementation integrated river engineering project Danube East of Vienna

The Action implemented and evaluated the effectiveness of innovative pilot measures to reinstate good navigation status and remove the main bottlenecks along the Danube East of Vienna section, while respecting the environment and the river ecosystem. The results of this Action are shared with other Member States notably, Bulgaria, Slovakia, Croatia and Romania and will serve to facilitate the implementation of the same type of measures along the Bulgarian and Romanian common section of the Danube.



EU contribution: €14.8 million

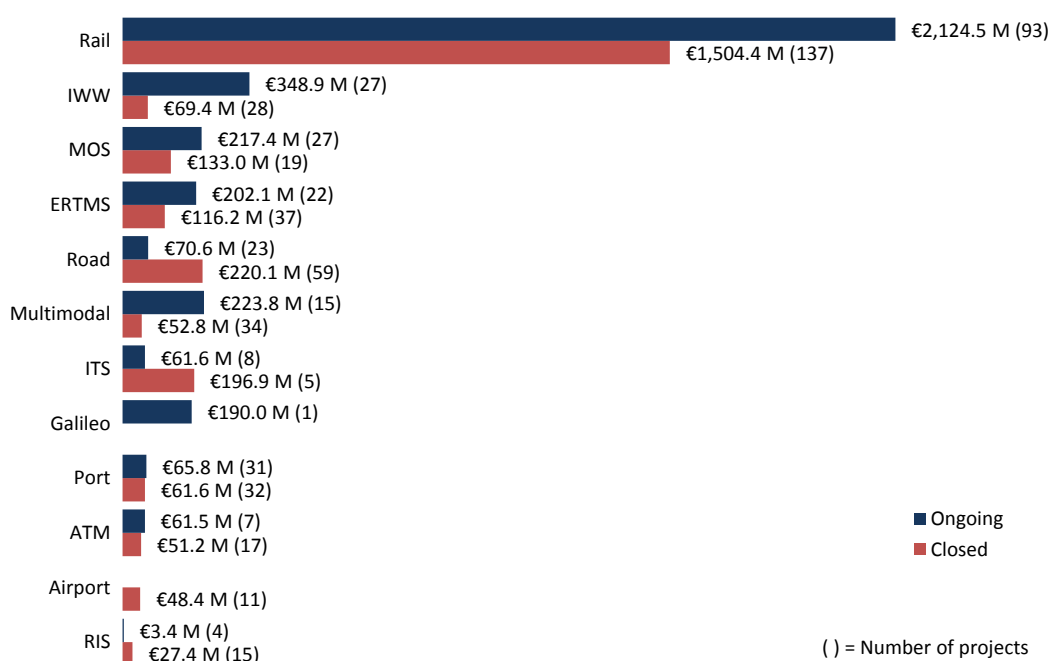
Member State involved: Austria

The Agency continued to operate a 'Reminders policy' to inform beneficiaries in advance of approaching deadlines of their various obligations, in particular concerning the timely submission of the final report and final payment request. The final reports and final payment requests concerning the remaining open TEN-T Actions had to be submitted by 31 December 2016. At the end of the year there were 11 overdue final reports and associated payment requests.

Some ad hoc as well as portfolio review meetings took place with Member States during the year. These meetings primarily concerned the CEF but did also address the remaining open TEN-T Actions. The current project portfolio for TEN-T can be summarised in the graphic below:



Graph 4 TEN-T: Actual EC contribution of ongoing or closed projects per mode of transport at the end of 2016 (amounts in million €)



In terms of financial management, the total payment execution (€ 298.9 million) was below the initial forecast foreseen for 2016 (€ 576 million) since the final result of some projects resulted in a recovery order and since many final cost claims have been received at the end of 2016 leading to payments to be made in 2017. The excess of payment appropriations has been fully absorbed by initial pre-financings of the 2015 CEF Transport Calls projects.

Table 2 Overview of TEN-T financial management

Payment appropriations executed (in € million)	Number of IP/FPs executed	Average time to pay IP/FPs (in days)	IP/FP payments on time
298.94	172	33.2	99.4%

At the end of the implementation period for the last 2007-2013 TEN-T projects it can be concluded that the close monitoring of the projects and the programme carried out by the Agency together with the Commission's decision not to allow implementation beyond 2015 has led to the re-injection, through additional calls for proposals, of EU financial aid of more than €2 billion that could not be spent by the initially selected Actions within this period. It can also be concluded that the 'use it or lose it' principle should be applied even more rigorously within the CEF Transport in combination with more focus on selecting only mature Actions in order to improve further the financial absorption rate. However, this principle can only be applied until a certain point in the programme life-cycle, namely until the last call of a programming period can be launched and commitments made.

By the end of 2016, TEN-T Actions in the period 2007-2013 have greatly contributed to

the development of a sustainable transport system. The focus of the investment effort of the TEN-T Programme has been directed towards infrastructure supporting environmentally friendly transport operations. In that respect, rail (including ERTMS) and waterborne transport (IWW, MoS, Ports and RIS) Actions represent 72% of all TEN-T funded Actions and have benefitted from 80% of the TEN-T grants disbursed.

1.1.3 Specific Operational Objective 2 - Legacy of the Marco Polo II Programme

Promote greater use of low-carbon transport modes and promote multi-modality via the efficient and effective technical and financial management of the Marco Polo legacy programme and projects.

Technical and financial management

The streamlined procedures and a Marco Polo-specific follow-up tool allowed processing swiftly ten out of twelve amendment requests received and most of the reports due during the year. Only three reports were pending at the end of the year (one progress report which was received in November and two final reports received in December).

Amendment requests to Marco Polo projects mostly concern administrative aspects (payment options, change of legal representative, starting date of the Action, name or address of a beneficiary, extension of the duration or suspension of the Action, withdrawal of co-beneficiaries or adding of new co-beneficiaries). Among the processed amendment requests, one was refused in 2016 since it would represent a substantial change compared to the initial proposal and one was withdrawn by the beneficiary. Two amendment requests with some degree of complexity were still pending at the end of the year.

The project management activities in 2016 can be summarised as follows:

Table 3 Overview of Marco Polo project management

Ongoing projects at 01/01/16	Projects closed in 2016	Reports pending at 31/12/15	Reports received in 2016	Reports approved	Amendment requests received in 2016	Amendment requests adopted/ap proved
57	25⁹	6	44¹⁰	47¹¹	9¹²	8¹³

⁹ 23 projects were foreseen to be closed in 2016, however, by the end of the reporting period 25 projects were closed.

¹⁰ 16 progress reports, 3 interim reports and 25 final reports were received in 2016. Additional 6 were pending from 2015 for a total of 50 reports.

¹¹ 19 progress reports, 3 interim reports and 25 final reports. Interim payments do not necessary lead to an interim payment. Final payments may result in a recovery order.

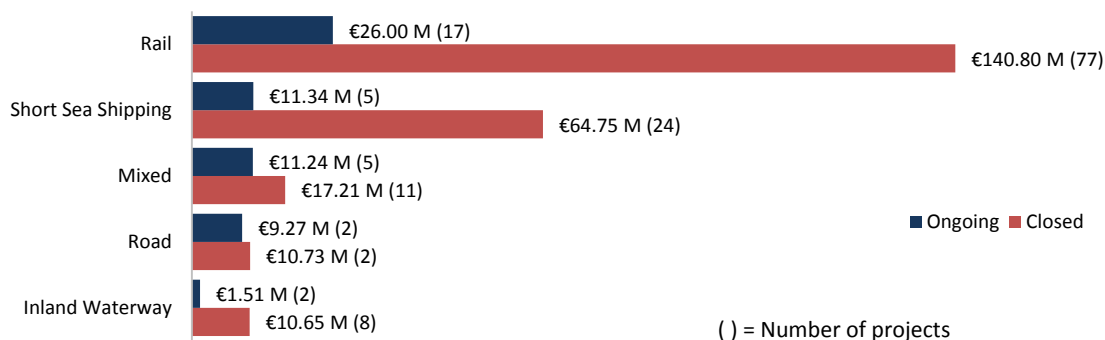
¹² On 01/01/2016 there were also 3 amendments requests under assessment received in 2015.

¹³ 1 amendment request was refused, 1 was withdrawn and 2 are under preparation at the end of 2016.



The entire Marco Polo project portfolio at the end of 2016 is composed as follows:

Graph 5 Marco Polo II, Initial EC contribution of ongoing or closed projects per mode of transport at the end of 2016 (amounts in million €), excluding Common learning actions



Overall the management of the programme is achieving its goals in terms of keeping a healthy portfolio of projects, which deliver results according to the objectives for the programme, and optimising as far as possible the available budgetary resources. This entails close contacts with beneficiaries to detect and solve any implementing problems and take any necessary remedies, including project terminations when necessary.

Table 4 Overview of Marco Polo financial management

Payment appropriations executed (in € million)	Number of IP/FPs	Average time to pay for IP/FPs (in days)	IP/FP payments on time
14.66	18	29.7	100%

As regards financial management, the total budget executed was lower than the initial appropriations. This is primarily due to the obligation to execute first the C5 credits and to the final results of projects resulting in certain cases in a recovery order instead of a payment as a consequence of underperformance of some projects in terms of modal shift. The remaining budget was transferred to CEF Transport for the payment of the first pre-financings under the 2015 calls.

The following project is presented as an example of the Marco Polo II portfolio:

HOLDE

The project introduced a new railway service linking Rotterdam (the Netherlands) with the Bavaria region (Germany) for the transport of maritime and continental freight. The service runs from Rotterdam to Munich with a stop in Nuremberg (Germany) and has achieved 128 % of the planned modal shift. The service implies five weekly roundtrips with a train utilisation rate of 70%.

Pic. 1- Loading operations in Munich (Germany)



EU contribution: €2 million

Performance measurement of the programme

The Marco Polo II Regulation (1692/2006) estimates that the expected growth of freight transport by road will be 20.5 billion tons-kilometres (tkm) per year. The objective of the Programme is to shift the expected increase of annual freight transport by road to other more environmentally friendly transport modes. Therefore, the actions of the Programme should lead to an annual reduction of a total of 20.5 billion tkm of road, which should either be shifted or avoided. This would add up to a total of 143.5 billion tkm over the entire duration of the Programme.

As a result of the 168 Marco Polo contracts initially awarded, a reduction of 112.9 billion tkm is expected to be achieved due to the rather low number of proposals received and awarded. However, at the end of 2016, the Marco Polo II Programme has shifted a total of only 38.44 billion tkm due to a combination of reasons that during the implementation of the programme made evident that the objectives of modal shift set for the programme would not be fully achieved. The response to the calls for proposals has been rather modest possibly undermined by the economic crisis since 2008. Additionally, the level of payments is far from corresponding to the budget that has been committed given that market conditions changed compared to the estimations made at the submission and that applications have often proved too optimistic on the expected achievements of the proposals while grants are paid only for the final results obtained. However, the final effectiveness of the Programme can only be established after the final completion of all on-going projects by 2019-2020.



1.1.4 Specific Operational Objective 3 - CEF Transport¹⁴

Support to the development of a core European Transport network by 2030, through the effective and efficient technical and financial management of the CEF Transport Programme and projects - demonstrating the added value and expertise of the Agency.

Technical and Financial Management

On 01 January 2016, INEA managed the 263 CEF transport Actions that had been selected under the 2014 call. The follow up implies regular contacts with the beneficiaries, meetings and on-site visits. In this framework 189 Action Status Reports (ASRs) were received electronically (first year of operation of eASR tool) by the end of March and were analysed. They led to 55 further pre-financing payments. Moreover, the first interim payments requests were due by the end of August. In this respect, 91 Interim Payment claims were received. 75 interim payment claims have been processed, which led to 66 net payments, (see footnote 22), while another 16 were under assessment at the end of the year. In 2016, INEA received 108 amendment requests for the transport sector. Out of them 74 were processed while 34 were still pending at the end of the year¹⁵. Most of the requests concerned the extension of the implementation period, decrease of maximum grant, changes in beneficiary/coordinator and updates of administrative data such as bank account or contact person. Moreover, one action was terminated as the beneficiary could no longer comply with the basic conditions of the grant.

Following the adoption of the Commission Selection Decisions on 05 August 2016, INEA informed the applicants of the 2015 Transport Multi-annual calls and started the preparation of 195 Grant Agreements (GAs). During the preparation, 6 applicants cancelled their Actions which brought the total CEF contribution of the 189 signed GAs to €6,580 million¹⁶. During the GA preparation INEA held regular meetings and contacts with beneficiaries in order to clarify technical, financial and environmental aspects relating to the GA.

Table 5 Overview of CEF Transport project management

Selected proposals under 2015 CEF Transport Call	Total awarded funding (in € million)	Signed GAs	Total final awarded funding (in € million)	Average Time-to-grant (in days)	Amendment requests received/ approved
195	6,682	189	6,580	260	108

All 189 GA entered into force within the time to grant period that expired on 18 November.

¹⁴ The CEF Synergy call is reported under this chapter while it is based on equal contributions of €20 million from both the Transport and Energy sectors.

¹⁵ 32 requests were submitted only in December.

¹⁶ Including an amount of €5,589 million from the Cohesion envelope.

This was the second call for INEA under CEF-Transport and it was therefore possible to use lessons learnt drawn from the previous call in areas such as legal aspects, environmental issues, technical, financial and operational issues.

The projects selected are primarily located on the core trans-European transport network and will significantly contribute to the decarbonisation of the transport sector through a strong focus on environmentally-friendly mobility and integration of innovative aspects in the transport system. Supporting the use of greener fuels and integration of digital technologies are additional key highlights. 93% of the funding will support works proposals or mixed proposals (work +studies), thus showing the strong commitment to invest in works in line with CEF priorities.

Following the conclusion of the GA signature of the projects selected under the CEF Transport Calls 2015, the current CEF Transport portfolio is allocated as follows:

Graph 6 CEF Transport. Actual EC contribution of ongoing actions per mode of transport at the end of 2016 (amounts in million €)¹⁷



Table 6 Overview of CEF Transport financial management

Individualisation of the 2015 global commitments	Individualisation of the 2016 global commitment	Payments appropriations executed (in € million)	Number of PFs	Average time to pay PFs (in days)	% of PF payments made on time
100%	37.7%	1.369.3 ¹⁸	217	10.8	98.6

Number of further PF	Average time to pay Further PFs (in days)	Further PF payments made on time	Number of IP/FPs	Average time to pay IP/FPs (in days)	IP/FP payments made on time
55	28.7	100%	66	49.8	100%

¹⁷ Terminated actions have been excluded

¹⁸ Including €1.358 billion C1 fully executed.

The following project is presented as an example of the CEF-T portfolio:

Improvement of safety on the Central Railway Line

The Action, located on the Baltic - Adriatic Core Network Corridor (CNC), addresses the removal of 2 railway level crossings and the construction of road viaducts on the section between Warszawa and Katowice adjusting its characteristics to TEN-T Core Network requirements. As a result safety will improve and bottlenecks will be eliminated allowing for the speed increase to 200 km/h on the respective sections.

Contribution: €3.5million

Beneficiary: PKP Polskie Kolejowe S.A.



For the first pre-financings the percentage of the payment made on time is 98.6% due to the 3 pre-financings which INEA had to postpone from 2015 to 2016 due to the lack of payment appropriations in 2015 (reference is made to the EC report "Monitoring payment deadlines" communicated by DG BUDG). All the other payments have been made within the legal time to pay.

Call Management

In 2016 INEA was responsible for organising and managing evaluations under two CEF Transport 2015 Calls - General and Cohesion. The calls were structured in line with the respective Multi-Annual Work Programme, addressing the policy priorities of all three funding objectives of CEF Transport.

The evaluation of the CEF Transport 2015 Calls for Proposals was a complex exercise, which built on the experience gathered from previous calls. A notable improvement was a more in-depth assessment of the Cost-Benefit Analysis (CBA) required for works and mixed proposals, which led to a more robust assessment of the impact criterion.



Furthermore in the context of Transport, and also related to the Energy sector, in 2016 a first call aiming at exploiting synergies across the Transport and Energy sectors was prepared and launched. The evaluation will take place in early 2017.

In addition, in the last quarter of 2016, the Agency actively contributed to the discussions that led to the adoption of an amendment of the Multi-Annual Work Programme to enable the combination of CEF grants with financing from EFSI, EIB, National Promotional Banks, or private sector investors, in order to maximise the leverage of private sector involvement and capital in the delivery of projects. The amended Work Programme will result in a "Blending" call to be published early in 2017.

Table 7 Overview of CEF Transport and Synergy Calls for Proposals

Call reference	Indicative budget (in € billion)	Received proposals	Total requested funding (in € billion)	Admissible and eligible proposals	Recommended/selected proposals	Total recommended/awarded funding (in € billion)	Average time to inform (in days)
CEF-T 2015	7.56	427	12.96	406	260/195	7.7/6.68	143
CEF-S-2016	0.04	14	0.042	9	-	-	-

Dialogue with stakeholders

The Agency has continued its permanent dialogue with the EU Member States, beneficiaries and other TEN-T transport stakeholders, including through its participation in events such as the TEN-T Days in Rotterdam in June 2016, where INEA held a special stakeholder event gathering several hundred participants. Furthermore, the Agency organised sector-specific events for MoS and SESAR.

INEA has furthermore interacted with relevant stakeholders in the context of the 2015 CEF Transport Calls Info Day, which was organised by the Agency on 25 October 2016. In addition, when requested, the Agency ensured its presence at the national Info Days following the launch of the 2016 calls. In the context of the CEF Synergy call, INEA organised the virtual Info Day on 10 October 2016.

The INEA CEF Transport Advisory Group is an informal group composed of representatives of the Member States, implementing bodies and INEA to advise on the procedures related to the implementation of the CEF Transport programme. In 2016 the group met in November to discuss issues related to communication, the Action Status Report (ASR), financial reporting, submission procedures and the performance framework KPIs).

1.1.5 Specific Operational Objective 4 - CEF Energy

Support for the strengthening of EU energy infrastructure, through the effective and efficient technical and financial management of the CEF Energy Programme.

The implementation of the CEF Energy Programme by INEA has contributed to DG ENER specific objective 'Further work towards a well-functioning and fully integrated internal energy market, including with interconnections', contributing to the Commission general objective 'A resilient Energy Union with a forward looking climate policy'.

Technical and financial management

In 2016, 24 new grant agreements were prepared and signed following the CEF Energy Calls 2015/2 and 2016/1, bringing the total number of CEF Energy actions to 75 at the end of the year, as summarised in the table below:

Table 8 Overview of CEF Energy project management

Call reference	Selected proposals	Total awarded funding (in € million) ¹⁹	Signed GAs	Total final awarded funding (in € million) ²⁰	Average Time-to-grant (in days)
CEF Energy 2014	34	647.3	33	583.6	254
CEF Energy 2015/1	20	149.3	18	83.3	187
CEF Energy 2015/2	15	216.9	15	216.9	207
CEF Energy 2016/1	9	263.1	9	263.1	195
Total	78	1276.6	75	1147.0	216

In 2016 all grant agreement related to the CEF Energy 2015/2 and 2016/1 calls for proposals were signed within the 9 months' time to grant except one where the signature was slightly postponed due to the organisation of a signing ceremony at the occasion of the CESEC Ministerial meeting on 9 September 2016 in the presence of Commission Vice-President Sefcovic and Energy Ministers. The GA on the Baltic Interconnector between Finland and Estonia was signed in the presence of President Juncker and the Prime Ministers of the two countries, confirming the political importance of the EU support to infrastructure development.

In 2016, 28 amendment requests were received, leading to the signature of 22 amendments in 2016 and 2 rejections²¹. Most of the amendment requests concern extension of the implementation date.

By end 2016, the CEF Energy project portfolio is allocated as follows:

Graph 7 CEF Energy, Actual EC contribution of ongoing and closed projects per sector at the end of 2016 (amounts in million €)



The 75 actions contribute to the implementation of 66 Projects of Common Interest

¹⁹ According to Award Decision.

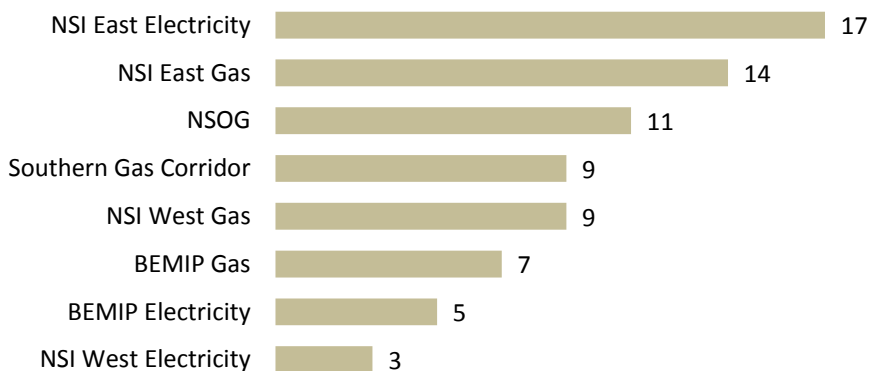
²⁰ Following the successful conclusion of the GA preparation and signature.

²¹ From the remaining request, 3 amendments were signed in January 2017 and 1 is being processed.

(PCIs), 35 in electricity and 31 in gas.

CEF Actions contribute to PCIs in all 8 TEN-E corridors. The corridors with the most CEF Actions are North South Interconnections (NSI) East electricity and NSI East gas, which are also the corridors with the highest number of PCIs. Actions in these corridors contribute to implement important interconnections in this part of Europe, less well interconnected than Western Europe.

Graph 8 CEF Energy, Number of actions per TEN-E corridor



Financial support is provided to 51 different beneficiaries from 23 EU Member States and 2 third countries (Norway and Turkey).

The following project is presented as an example of the CEF-E portfolio:

Construction of the Klaipeda-Kursenai Gas Transmission Pipeline

The 111 km gas transmission pipeline connects the LNG (liquefied natural gas) terminal infrastructure in Klaipeda to the gas transmission system towards Kursenai. It eliminates a bottleneck in the transmission system, enables the transport of substantial gas volumes from the new supply route (LNG terminal in Klaipeda) and enhances the security of the gas supply, as well as competition in the gas market of the Baltic states (Lithuania, Latvia and Estonia). EU contribution: €27.7 million



Overall, the awarded grants produce a decisive effect on investment decisions concerning several gas infrastructure projects with a key energy security dimension. At the same time, very important studies were launched concerning future electricity interconnectors that will increase interconnection capacities and enable the integration of large-scale renewable energy sources.

Table 9 Overview of CEF Energy financial management

Individualisation of 2014 global commitments	Individualisation of 2015 global commitments	Payments appropriations executed (in € million)	Number of PFs	Average time to pay PFs (in days)	PF payments on time
100%	22%	128.83	33	11.5	100%

Number of further PF	Average time to pay Further PFs (in days)	Further PF payments made on time	Number of IP/FPs	Average time to pay IP/FPs (in days)	IP/FP payments made on time
2	22.5	100%	11	30.6	100%

In terms of financial management, the remaining amount to individualise on the 2015 global commitment has been fully executed. The 2015 voted commitment appropriations have been globally committed (€494.9 million): the individualisation of the commitments started in 2016 with the signature of the first grants and will continue in 2017 with the second Call 2016.

The 33 pre-financing payments relating to the GAs signed in 2016 were made on time with an average time to pay of 11.5 days.

Call Management

In 2016, INEA was responsible for organising and managing the evaluations under CEF Energy. The Multiannual Work Programme foresaw two calls for proposals in 2016, which were successfully concluded.

With this, the Agency contributed to achieving the policy objectives of the Connecting Europe Facility Programme in the sector of Energy, in particular by supporting PCIs and related actions aiming at ending energy isolation, eliminating energy bottlenecks and completing the internal energy market.

In addition, as mentioned in chapter 1.1.4, INEA was also responsible for the preparation and management of the CEF Synergy call, which had a deadline of 13 December 2016.

Table 10 Overview of CEF Energy Call for proposals

Call reference	Indicative budget (in € million)	Received proposals	Total requested funding (in € million)	Admissible and eligible proposals	Recommended/selected proposals	Total recommended/awarded funding (in € million)	Average time-to-inform (in days)
CEF Energy – 2016-1	200	16	357.7	16	10/9	346.2/263.1	78
CEF Energy – 2016-2	600	23	731.8	22	16²²/ 18-	545.3/ 444.2-	

Dialogue with the stakeholders

The Agency further developed a dialogue with Transmission Service Operators (TSOs) both in the context of the preparation of the GAs and through its participation in various meetings organised by DG ENER, such as regional group meetings. Administrative Arrangements were signed with the Agency for the Cooperation of Energy Regulators (ACER) concerning the exchange of data for the monitoring of PCIs.

Finally, the Info Day in the context of the 2016 Calls, organised on 7 April 2016, also allowed the Agency to reach audiences beyond project promoters of the PCIs.

1.1.6 Specific Operational Objective 5 - CEF Telecom – telecommunications

Support for the deployment and promotion of interconnected and interoperable Digital Service Infrastructure Generic Services through the effective and efficient technical and financial management of the relevant part of the CEF Telecom Programme - demonstrating the added value and expertise of the Agency.

The effective and efficient technical and financial management of the CEF Telecommunications Programme and projects has contributed to DG CNECT specific objective 'The digital economy can develop to its full potential underpinned by initiatives enabling full growth of digital and data technologies'. This will ultimately contribute to Commission general objective 'A connected Digital Single Market'.

Technical and financial management

In 2016, the portfolio of CEF telecom actions expanded quickly with 72 new grants agreements signed, resulting from the 2015/1 and 2015/2 calls, as summarised in the table below:

²² This figure is the result of the external evaluation in 2016

Table 11 Overview of CEF Telecom project management

Call reference	Selected proposals	Total awarded funding (in € million) ²³	Signed GAs	Total awarded final funding (in € million) ²⁴	Average Time-to-grant (in days)
Safer Internet 2014	29	12.00	29	11.99	262
eID (2014-TC-2014-3)	20	5.54	19	5.30	182
Safer Internet 2015/1	28	1.22	28	1.07	264
eDelivery 2015/1	3	4.43	3	4.43	300
eInvoicing 2015/1	8	0.92	8	0.88	264
Public Open data 2015/1	2	20.49	2	20.49	272
eID 2015/2	7	0.66	7	0.66	276
eHealth 2015/2	16	10.66	16	10.66	272
eProcurement 2015/2	7	7.86	7	7.86	257
ODR 2015/2	2	0.10	1	0.06	237
Total	121	63.88	120	63.39	253

As the GAs were based on WP2015 commitments, they all had to be signed by 31 December 2016 which was achieved with 93% within the 9 month time-to-grant. The late signature of 7 GAs occurred due to reasons outside INEA's control.

In addition to the GAs resulting from the 2015 calls, INEA initiated the preparation of 54 GA resulting from the CEF Telecom 2016/1 call (eProcurement, Business Register Interconnection System (BRIS), Electronic Exchange of Social Security Information (EESSI)) in view of their signature early 2017.

For the ongoing actions, 6 amendment requests were received in 2016, leading to the signature of 5 amendments in 2016 and of one early 2017.

Finally, in 2016 most of the Safer Internet 2014 actions were successfully closed (26 out of 29 final payment claims were processed and paid).

²³ According to the Award Decision.

²⁴ Following the successful conclusion of the GA preparation and signature.

The following projects under the Safer Internet 2014 calls are presented as an example of the CEF-ICT portfolio:

These 29 actions focused on setting up and expanding national platforms to run a range of Safer Internet services to citizens providing:

- An **awareness centre** for informing children, their parents and teachers about better and safer use of the Internet,
- **Online helpline** services for reporting and dealing with harmful contact (grooming), conduct (cyberbullying) and content.
- A **hotline** for receiving and managing reports and data on online illegal child sexual abuse.

EU contribution: €12 million

Participants from 27 EU Member States, plus Iceland and Norway



Overall, the CEF telecom support in 2016 reached out to 8 different Digital Service Infrastructures (DSIs), if one considers the signed GAs, and to 14 DSIs if the calls launched in 2016 are added. This covers all building blocks and sector specific DSI identified so far and represents a direct contribution to the deployment of e-services in the EU and to the establishment of the Digital Single Market.

Graph 8 CEF Telecom, Actual EC contribution of the project portfolio per DSI at the end of 2016 (amounts in million €)

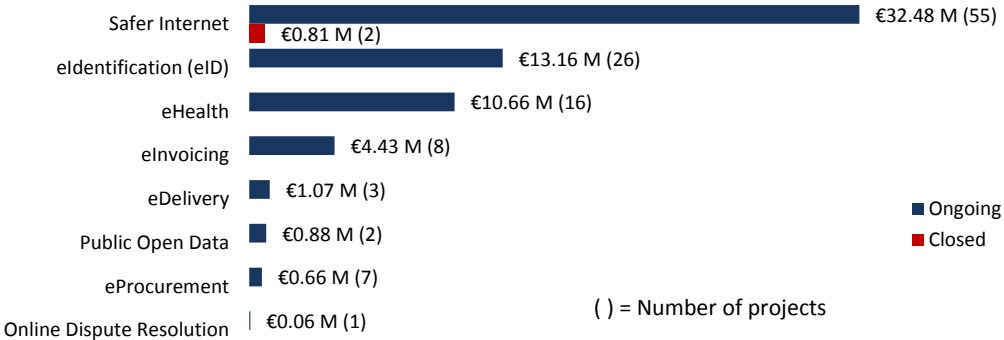


Table 12 Overview of CEF Telecom financial management

Individualisation of 2015 global commitments	Individualisation of 2016 global commitments	Payments appropriations executed (in € million)	Number of PFs	Average time to pay PFs (in days)	PF payments on time
99,5%	0%	21.45	46	10.7	100%

Number of IP/FPs	Average time to pay IP/FPs (in days)	IP/FP payments made on time
27	62.5	100%

As regards financial management, the 46 pre-financing payments relating to the GAs signed in 2016 were made with an average time-to-pay of 10.7 days. The individualisation of the 2015 global commitments reached an execution rate of 99.5% due to the withdrawal of one selected proposal during the grant agreement preparation. The individualisation of the 2016 global commitment will start in 2017. 26 final payment claims have been processed for the 2014 Safer Internet actions and one for the E-Identification.

Call Management

In 2016 INEA was responsible for organising and managing evaluations under both the 2015 and 2016 CEF Telecom Work Programmes. Due to an amendment of the 2015 Work Programme in September 2015, the foreseen three sets of 2015 CEF Telecom calls were reorganised into two sets covering 8 areas that had call deadlines, and were evaluated, in 2016. In 2016, INEA was also responsible for the management of four sets of 2016 Telecom calls covering a total of 12 areas.

With this, the Agency contributed to achieving the policy objectives of the Connecting Europe Facility Programme in the sector of Telecom, in particular among the activities covered by the evaluations, as follows: eDelivery, eInvoicing, Public Open Data, Safer Internet, eProcurement, eHealth, eIdentification, Online Dispute Resolution, BRIS, EESSI, eProcurement, eID and eSignature, eJustice, POD, automated translation, cyber security, and Europeana.

Table 13 Overview of CEF Telecom Call for proposals

Call reference	Indicative budget (in € million)	Received proposals	Total requested funding (in € million)	Admissible and eligible proposals	Recommended/selected proposals	Total recommended/awarded funding (in € million)	Time-to-inform (in days)
CEF-TC-2015-1	28.7	55	32.6	50	42/41	27.4/27.1	149
CEF-TC-2015-2	16.9	47	24.1	45	32/32	19.9/19.2	162
CEF-TC-2016-1	32	43	29.6	43	40/40	26.2/26.2	137
CEF-TC-2016-2	10.5	36	16.0	33	23/ -	10.3/ -	-

CEF-TC-2016-3	27.5	52	38.8				
CEF-TC-2016-4	1.1	1	0.8	1	1/ -	0.8/ -	-

Preparations for the 2017 CEF Telecom calls also got underway in the second semester of 2016, with INEA providing input and recommendations to the draft 2017 Work Programme. Formulation of the first drafts of the call texts, as well as preparation of the other call-related documents was undertaken in order to anticipate the launch of the first set of 2017 calls in four call areas. This is foreseen by DG CNECT for February 2017, at the adoption of the 2017 Work Programme.

Dialogue with stakeholders

INEA's efforts in 2016 concentrated on maintaining the established relationships with the internal Commission stakeholders, which was a considerable task given the numerous – and often new – DSI owners within DG CNECT and in other DGs.

Throughout the year, INEA was invited and participated in DG CNECT-led meetings on the preparation of the Work Programme 2017, DSI coordination meetings, the ICT Proposers Day event in Bratislava (26-27 September) as well as technical expert groups with a view to increase visibility of the funding opportunities provided under the Calls.

INEA was also responsible for the organisation of three virtual info days, addressing the contents of the 2016 calls. These were organised on 17 March, 3 June and 22 September 2016.

Finally, INEA also supported DG CNECT in providing information to Member States and interested stakeholder groups, in order to further inform them about the funding opportunities available.



1.1.7 Horizon 2020 – the Framework Programme for Research and Innovation 2014-2020²⁵

In 2016 INEA continued to contribute to tackle the 'Societal Challenges' related to Energy and Transports, under the Horizon 2020 framework program and support the policy goals of the Parent DG's.

This year 2016 has confirmed INEA's capacity to evaluate, prepare and manage projects including the first intermediate and final payments of Horizon 2020 in the agency. INEA has committed to refining related procedures and processes in order to improve the overall efficiency of not only the agency but the Horizon 2020 programme implementation. Currently, INEA manages a portfolio of 289 Horizon 2020 projects, of which 87 were signed in 2016, representing more than €1.15 billion to the 'Secure, clean and efficient energy' objective and €813 million to 'Smart, green and integrated transport' one. At the end of 2016 further 12 energy projects were launched for Grant Agreement Preparation (GAP).

The agency has worked closely with the Horizon 2020 Common Support Services and provided regular contributions to its activities most notably in the exercise of establishing a common ex-ante control strategy applicable to all Horizon 2020 actors. In addition the agency has engaged in the communication of projects to a wide variety of stakeholders and also feeding project results back to policy makers in support of future policy development, in the form of project fiches or organized workshops for example, as it is best detailed ahead in the document. From an active participation in workgroups to the launch of several thematic clusters and workshops, INEA has helped to identify projects with dissemination and exploitation potential. As an example, the Agency has closely followed the activities of the DIEPP (Dissemination and Exploitation Group representing the entire R&I family), defending INEA's interest and positions, and providing feedback. The most important achievements are the contribution to the 'knowledge sharing mechanism' proposal; the contribution to the guidelines for the policy officers and coordinators regarding dissemination and exploitation, and the participation in Working Group 4, implementing the action: 'feedback from the EAs to policy', for which a methodology will be established.

INEA concludes this year with very good indicators regarding the operational objectives defined in the AWP and with a significant portfolio of projects that contribute to the policy goals for the Horizon 2020 program.

1.1.8 Specific Operational Objective 6 - Horizon 2020 Energy

Support for secure, clean and efficient energy by the effective and efficient implementation of the Horizon 2020 Specific Programme Societal challenge related to energy demonstrating the added value and expertise of the Agency.

The effective and efficient technical and financial management of Horizon 2020 Specific Programme Societal challenge related to energy has contributed to DG RTD specific

²⁵ 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, OJ L 347, 20.12.2013, p. 104.



objective 'To ensure an effective and efficient implementation of Horizon 2020 and other RTD programmes and maximise synergies'. In addition, INEA has contributed to DG MOVE specific objective 'An innovative transport sector: Ensure the effective implementation of funding for research and innovation activities in the transport area under Horizon 2020'.

All these specific objectives will ultimately contribute to the following Commission general objectives:

- 'A New Boost for Jobs, Growth and Investment'
- 'A Connected Digital Single Market'
- 'A Resilient Energy Union with a Forward-Looking Climate Change Policy'
- 'A Deeper and Fairer Internal Market with a Strengthened Industrial Base'

Technical and financial management

At the beginning of 2016 there were 66 projects running and managed by INEA under the Energy theme. 47 GAs were signed in 2015 and the associated projects started in 2016. A further 44 GAs were signed in 2016. These latter projects have starting dates in the second half of 2016 or beginning of 2017. One Innovation Action project was terminated during 2016 due to lack of co-financing, which makes the total number of 156 projects under Energy Theme managed by INEA. These projects are supported by €1.158 billion of EU contribution from Energy Challenge fund in Horizon 2020.

The share of the funds allocated to actions in the area of renewable energy, end-user energy efficiency, smart grids and energy storage is 91%²⁶ of the total amount which exceeds the target indicator (at least 85%) for the Energy Challenge .

The overview of the number of signed GAs at the end of 2016 and their associated budgets managed by INEA are presented in the graphic below, which also give project distribution per thematic areas.

²⁶ This includes the EU budget for project funded under Smart Cities and Communities Calls.



Graph 9 INEA Horizon 2020 Energy, Last amended EC contribution of projects per topic (amounts in million €)

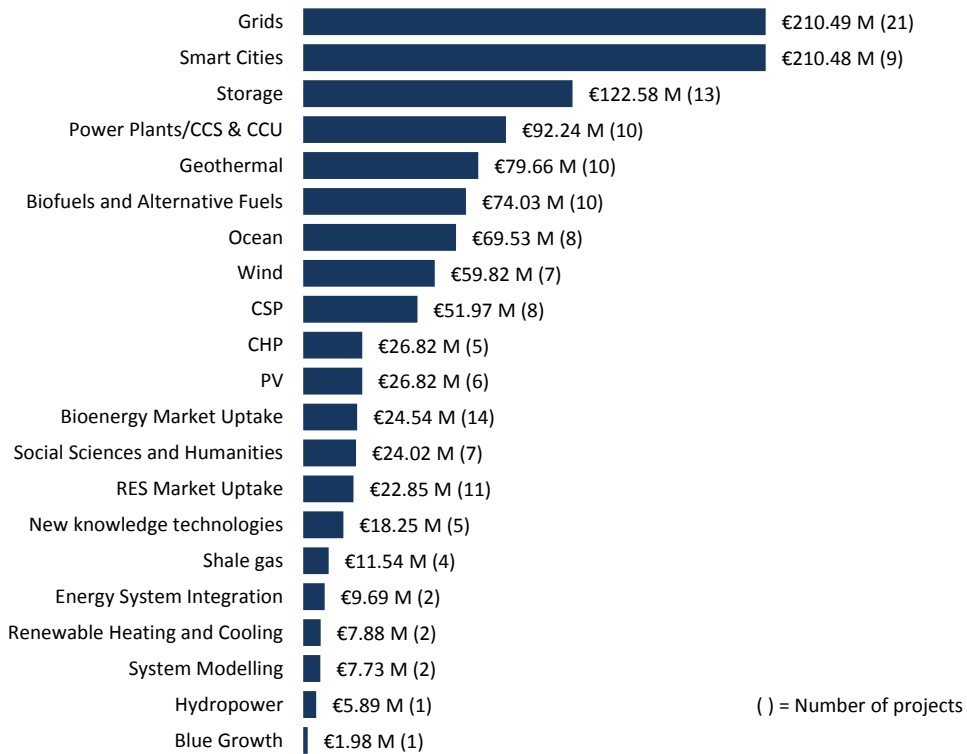


Table 14 Overview of Horizon 2020 Energy project management

Average Time-to-grant (in days)	Number of new GAs signed by 31/12/16	Running projects at 31/12/16	Amendment requests received/ approved
220	44²⁷	156²⁸	57/54²⁹

This diverse portfolio of projects gives strong support to the Energy Union and Climate Action priority of Juncker's Commission by developments and outcomes which help decarbonising of the economy, increase competitiveness through research and innovation and contributing to creation of growth and jobs and ultimately support the strive for world leadership in renewable energy production and use. It responds to the majority of the objectives of the Horizon 2020 Energy Challenge. In particular, the results from these 156 IAs, RIAs and CSAs contribute to:

- reduction of energy consumption and carbon footprint,
- supporting research and innovation for renewable energy sources,

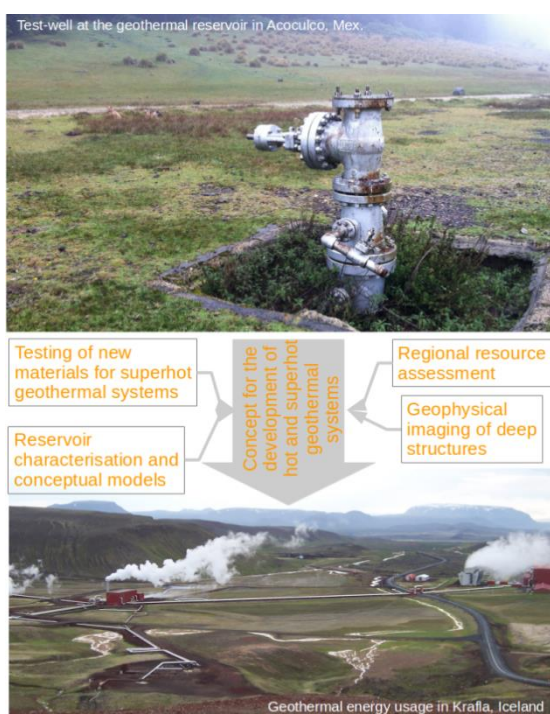
²⁷ Ten additional projects started GAP in Dec 2016 and will be signed in 2017.

²⁸ One project was terminated in 2016.

²⁹ Four amendments were withdrawn after an admissibility check; one amendment was submitted in 2015 and was approved in 2016.

- unlocking the potential of efficient and renewable heating and cooling systems,
- reduction of costs and carbon footprint of the electricity supply,
- development of alternative fuels and mobile energy sources,
- development of a single, smart European electricity grid,
- development of new knowledge and technologies,
- market uptake of energy innovation, and,
- robust decision making and public engagement.

INEA supports also the EU commitment to the Paris Agreement and Mission Innovation to accelerate the pace of clean energy innovation to achieve performance breakthroughs and cost reductions to provide widely affordable and reliable clean energy solutions that will revolutionize energy systems throughout the world. For example, harnessing the unprecedented openness of Horizon 2020 programme INEA launched GEMex project in 2016. This is a research and innovation twinning action funded by EU and by the government of Mexico with €10 million each. The project aims at developing a step-change in tapping the world-wide geothermal energy resources by understanding the development prospects for unconventional (high temperature and depth) geothermal resources in Mexico.



GEMex – Geothermal energy research cooperation Europe-Mexico

The project focuses on collaboration between European and Mexican consortia in applying advanced exploration techniques to two geothermal sites in Mexico and on concept preparation for development and utilisation of heat-enhanced and super-hot geothermal systems in Mexico and world-wide.

EU contribution: €10 million

Mexican contribution: €10 million

Partners from: BE, DE, FR, GR, IS, IT, MX, NL, NO, PL and UK

1st Image Acoaculco Geothermal site, Mexico. © GEMex

2nd Image Krafla geothermal station, Iceland. Taken from Wikimedia

(https://commons.wikimedia.org/wiki/File:Krafla_Geothermal_Station.pqh) © Mike Schiraldi

For the majority of the projects started in 2016 the kick-off meetings were attended by the project officers. The general project management (reception of deliverables, queries from coordinators, amendment requests, etc) continues for all the projects. The Agency has received and evaluated 36 project reports and executed the associated payment, furthermore two final periodic reports were assessed and one project final payment was executed before the end of 2016.

At the end of the second full year of project management approximately 1 in 3 projects has been subject to an amendment, typically a rearrangement of work packages or the addition of a new beneficiary or linked third party.

During 2016 INEA has organised 9 thematic workshops in the areas of bioenergy, carbon capture and storage, energy system modelling, geothermal energy, biofuels, social science and humanity, wind energy, ocean energy and concentrated solar power. During these events the representatives of projects in a certain thematic area identified synergies between the projects and proposed joint actions. These workshops were also platform for the projects to communicate their early results with INEA and INEA's parent DGs.

INEA, in close collaboration with DG ENER and DG CNECT, also organised a workshop for representatives of smart grid and energy storage projects (23 in total) stemming from 2014 and 2015 Energy Calls. The workshop took place in March and focused on the technical aspects of the projects and the legal barriers for the deployment in the market place of these technologies. The projects were clustered in 4 working groups which performed separate analysis and reported their results in a plenary session.

On request of DG ENER Directorate C, INEA organised a workshop focused on the contribution of Horizon 2020 energy projects in INEA portfolio to energy system transformation by 2020 and beyond and their impact of forthcoming regulatory initiatives of the Commission. The contributions of the projects are in the areas of PV, Wind Energy, Smart Cities and Communities, Renewable Heating & Cooling, Smart Grids & Energy Storage, Alternative fuels and Biofuels and were presented by INEA. The workshop was attended by representatives of DG ENER, DG RTD and EASME.

For rapid and seamless access of the policy makers to the latest project results INEA developed Project Factsheets for all projects in the INEA's Energy portfolio. These factsheets contain information about projects, their execution and internal assessment by the responsible Project Officer.

INEA contributed to the on-going interim evaluation of the Horizon 2020 programme by providing the necessary information to the parent DGs

Table 15 Overview of Horizon 2020 Energy financial management

Individualisation of the 2015 global commitments	Individualisation of the 2016 global commitments	Payment appropriations executed (in € million)	Number of PFs	Average time to pay PFs (in days)	PF payments on time
97.8% ³⁰	66%	394.68	86	15.1	100%

Number of IP/FPs	Average time to pay IP/FPs (in days)	IP/FP payments made on time
36	65.6	100%

The first interim and final payments for the 2014 actions have been processed by the Agency within the legal time to pay.

³⁰ The small left-over amount is due to minor reductions of the EU requested contribution occurred during the grant preparation on the LCE-15 and SCC-15 Calls.



Call Management

In 2016 INEA was responsible for organising and managing evaluations under the Energy Societal Challenge. This consisted of three evaluations related to achieving the policy objectives of the Low Carbon Energy Call (LCE) and one evaluation under the Smart Cities and Communities Call (SCC), all parts of the Horizon 2020 2016-2017 Work Programme. In addition, the Agency was involved in the evaluation of one energy-related topic contributing to the objectives of the Blue Growth focus area. Among the activities covered by the evaluations were renewable energy sources, biofuels, grids and storage as well as projects for solutions integrating energy, transport, and ICT sectors in cities. The evaluations had call deadlines in February, April, and November 2016.

Table 16 Overview of Horizon 2020 Energy Call for Proposals

Call ref.	Indicative budget (in € million)	Received proposals	Total requested funding in eligible proposals (in € million)	Admissible and eligible proposals	Selected proposals	Total awarded funding (in € million)	Average time to inform (in days)
Horizon 2020-LCE-2016-RES-CCS-RIA	118	148	670	143	24	119	118
Horizon 2020-SCC-2016	60	9	144	8	2	36	90
Horizon 2020-LCE-2016-SGS	94	80	544	80	12	99	90
Horizon 2020-BG-2016-2017 (BG-03)	2	8	15	8	1	2	128
Horizon 2020-LCE-2016-RES-IA	85	24	272	24	8	96	95
Total	359	269	1,645	263	47	352	107

1.1.9 Specific Operational Objective 7 - Horizon 2020 Transport

Support for smart, green and integrated transport through the effective and efficient implementation of the Horizon 2020 Specific Programme Societal challenge related to transport demonstrating the added value and expertise of the Agency.

The effective and efficient technical and financial management of Horizon 2020 Specific Programme Societal challenge related to transport has contributed to DG RTD specific objective 'To ensure an effective and efficient implementation of Horizon 2020 and other RTD programmes and maximise synergies' and indirectly to the objective 'To implement the Research, Innovation and Competitiveness dimension of the Energy Union, together with a forward-looking climate-change policy'. In addition, INEA will contribute to DG MOVE specific objective 'An innovative transport sector: Ensure the effective implementation of funding for research and innovation activities in the transport area under Horizon 2020'.

All these specific objectives will ultimately contribute to the following Commission general objectives:

- 'A New Boost for Jobs, Growth and Investment'
- 'A Connected Digital Single Market'
- 'A Resilient Energy Union with a Forward-Looking Climate Change Policy'
- 'A Deeper and Fairer Internal Market with a Strengthened Industrial Base'

Technical and financial management

For the Transport challenge of Horizon 2020, activities in INEA focussed on the management of the ongoing projects, the GAP for the calls for which the evaluations had been concluded in 2015 as well as the evaluation of the 2016 Calls for Mobility for Growth (MG), Automated Road Transport (ART), Green vehicles (GV) and Blue Growth (BG).

In 2016, INEA H2020 Transport signed 43 grants, as a result of both 2015 and 2016 GAPs. Currently, the agency manages a total of 133 ongoing H2020 transport aiming to contribute to a European transport system more resilient, resource-effective, environmental friendly and safer, for all citizens, the economy and society as defined in the 2016-2017 Horizon 2020 Work Programme. GAPs for two reserve projects were launched in November 2016 (ADVICE and RINGO), which will be signed in 2017.

The following projects are presented as representatives of the Transport topic portfolio (please note both projects are at a very early stage, therefore results and impact will be expected later on, to be included in next year's AAR):



ELECTRIFIC - enabling seamless electro mobility (<http://electrific.eu/>)

The project's aim is to support the uptake of electric vehicles with ICT tools and novel techniques that allow better coordination between the vehicle and the grid. ELECTRIFIC will develop new smart charging stations for an increased charging efficiency, advanced driver assistance services for a better travel and charging plan, as well as management tools that help optimise 'electric' travels.

EU contribution: €6.2 million

Partners from: AT, BE, CZ, DE, ES

ELECTRIFIC aims to revolutionise how electric vehicles are integrated into users' life by increasing coordination of all the actors in the electromobility ecosystem: Drivers optimizing their vehicle usage, charging stations managers (and their power providers) and fleet managers. At the grid level, the project develops new smart charging stations capable of dynamically controlling charging rate, maximizing the use of renewables and making as grid-friendly as possible. At level of EV users, the project provides intelligent navigation systems that suggest adaptations in the travel plan to a more efficient charging. At the EV fleet level, the project develops management tools that help optimising fleet operations, maximising battery lifetime and minimising charging costs.



CiViTAS PORTIS - sustainable mobility solutions for port cities (<http://www.tmleuven.be/project/civitasports/home.htm>)

The project will test sustainable urban mobility solutions in five European port cities - Aberdeen (UK), Antwerp (Belgium), Trieste (Italy), Constanta (Romania) and Klaipeda (Lithuania) - and the Chinese city-port of Ningbo. PORTIS will support their different roles as a city, port and interface to the shared hinterland by developing a collaborative port-city governance model, fostering greener mobility modes and enhancing seamless and more efficient freight movements.

EU contribution: €16.4 million

Partners from: BE, IT, LT, RO, UK, AT, CN

CIVITAS PORTIS designs, demonstrates and evaluates sustainable and innovative urban mobility measures (the eight 'CIVITAS measures') in five major port-cities: Antwerp, Aberdeen, Trieste, Constanta and Klaipeda and also in the Chinese city-port of Ningbo.



The ambition of the project is to establish better transport connexions and a functional and social cohesion between the city centre and the corresponding ports, whilst driving economic growth and improving the attractiveness of urban environments. Local measures are organised in four clusters: Governance – to increase port-city collaborative planning; People – to foster less car-dependent mobility styles; Transport system – to strengthen the efficiency of road traffic management; Goods – to enhance logistics and freight transport.

Graph 10 INEA Horizon 2020 Transport. Last amended EC contribution of projects per topic (amounts in million €)

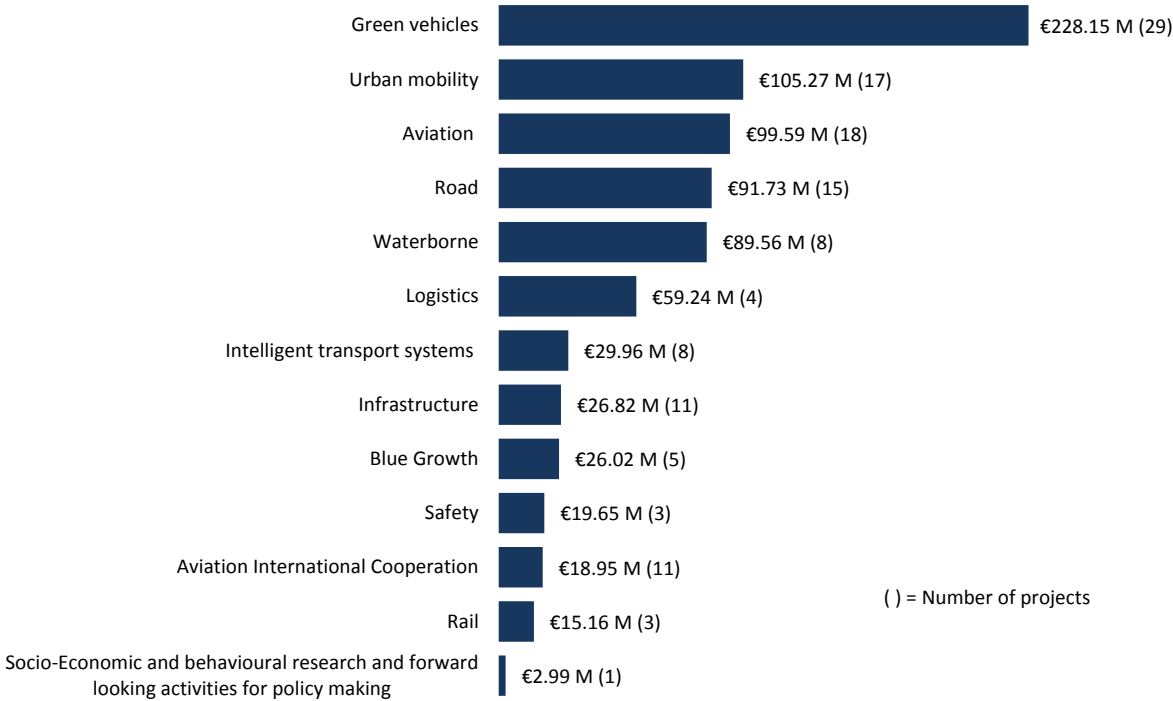


Table 17 Horizon 2020 Transport (including Blue Growth) project management

Average Time-to-grant (in days)	Number of new GAs signed by 31/12/16	Running projects at 31/12/16	Amendment requests received/approved
236	43	133	120/114³¹

As reported for Energy in the previous section, at the end of the second full year of project management approximately 1 in 3 projects has been subject to an amendment, typically a rearrangement of work packages or the addition of a new beneficiary or linked third party.

In view of the grant preparations for GV and MG Calls, two 'Co-ordinators' workshops were organised by the Agency to facilitate the GAP process for the proposals selected.

³¹ 2 amendments transited from 2015; 7 were withdrawn after admissibility check; 1 amendment is going to be signed in 2017.

The co-ordinators of successful proposals were invited to a 'hands-on' session to explain the procedures leading to the successful and on time conclusion of the process.

The management of the ongoing projects is progressing well with participation of colleagues from the Parent DG's in some of the activities.

In order to foster strong links with Parent DG's, a series of operational meetings have been held between INEA project officers and parent DG Policy Officers including specific meetings on the content of Work Programme topics prior to the 2016 evaluation sessions.

In addition, several operational sessions have been hosted by INEA. Examples are the workshop with EASME colleagues on the transport related projects, financed by the former Sustainable Transport through Energy efficiency and Renewables (STEER) sub-programme, managed by EASME, and more recently the CIVITAS Futures workshop examining future challenges and opportunities for CIVITAS-related initiatives. The CIVITAS Forum is an effective platform for dissemination and engagement with relevant stakeholders for INEA, gaining increased visibility.

Furthermore, on 14 December 2016, INEA hosted a Cooperative-ITS workshop attended by 16 project coordinators and by representatives from the parent DGs. In addition to the report of progress of the co-operation, the new projects from the 2016 call were invited to introduce their projects. Beyond the success of the event, INEA is now more visible on the ITS and Automated Road Transport map, a growing sector.

For the end of the year 2016 payment appropriations, the execution stands at 100%.

Table 18 Overview of Horizon 2020 Transport financial management

Individualisation of the 2015 global commitments	Individualisation of the 2016 global commitments	Payments appropriations executed (in € million)	Number of PFs	Average time to pay PF (in days)	PF payments on time
100%	27.2	219.86	56	8.2	100%

Number of IP/FPs	Average time to pay IP/FPs (in days)	IP/FP payments made on time
8	58.6	100%

The first interim and final payments for the 2014 actions have been processed by the Agency within the legal time to pay.

Call management

In 2016 INEA was responsible for organising and managing evaluations under the Horizon 2020 Transport Societal Challenge.

This consisted of four evaluations related to achieving the policy objectives of the MG call, two related to the GV call, and one related to the ART call. They were all parts of the Horizon 2020 2016-2017 Work Programme. In addition, the Agency was involved in the evaluation of one transport-related topic contributing to the objectives of the BG focus

area. Evaluations contained both two-stage and single-stage topics. The evaluations had call deadlines in October 2015, January and February 2016, and for the second stage of two-stage topics in September 2016.

Table 19 Overview of Horizon 2020 Transport Call for proposals

Call ref.	Indicative budget (in € million)	Received proposals ³²	Admissible and eligible proposals ³³	Total requested funding in eligible proposals (in € million) ³⁴	Selected proposals	Total awarded funding (in € million)	Average time to inform (in days)
Horizon 2020-MG-2015_Two Stages	146	335	56	453	18	161	152
Horizon 2020-MG-2015_SingleStage-B	18	17	15	29	2	5	152
Horizon 2020-GV-2015	30	46	42	261	4	25	152
Horizon 2020-GV-2016-INEA	65	21	19	134	9	61	113
Horizon 2020-MG-2016-SingleStage-INEA	196	26	24	88	6	26	113
Horizon 2020-BG-2016-2017 (BG-02-2016)	7	9	8	34	1	6	128
Horizon 2020-ART-2016-Two-Stages	61	58	11	79	7	62	NA ³⁵
Horizon 2020-MG-2016-Two-Stages	174	366	73	402	32	177	NA ³⁶

³² Includes first-stage and second-stage proposals for two-stage topics.

³³ Includes only second-stage proposals for two-stage topics.

³⁴ Includes only second-stage proposals for two-stage topics.

³⁵ Applicants informed on 9 January 2017.

³⁶ Applicants informed on 9 January 2017.

Total	695	878	248	1,481	79	522	141
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1.2 Example of EU-added value and results/impact of projects or programme financed

The TEN-T action 'Implementation of River Information Services in Europe - IRIS Europe II' (€5.8 million of EU funding) involved 9 Member States (Austria, Belgium, Bulgaria, Czech Republic, France, Hungary, The Netherlands, Romania, Slovak Republic) and focuses on further enhancement and fine-tuning of River Information Services (RIS) key technologies, services and applications. It aims to significantly contribute to a harmonised RIS implementation at European level.

1.3 Economy and Efficiency of spending and non-spending activities

According to the EU financial regulation³⁷ (art. 30), the principle of economy required that the resources used by the institution in the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and the best price. The principle of efficiency concerns the best relationship between resources employed and results achieved.

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

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

1.3.1 Example 1

Based on the experience of the 2015 Horizon 2020 evaluations, an internal document setting out the evaluation-related steps has been developed and approved in 2016. It clarified the division of work between units, and the relevant deadlines. The clear division of responsibilities has ensured that activities were executed in an efficient manner, as witnessed by the reduced time to inform applicants under Horizon 2020 evaluations (on average, applicants were informed 19 days earlier in 2016 than in 2015), and according to the principle of economy.

³⁷ Regulation (EU, Euratom) No 966/2012 of the European Parliament and the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002, OJ L 298, 26.10.2012, p. 1.



1.3.2 Example 2

The efficiency and effectiveness of reporting at INEA has been increased in 2016 by centralising the activities and the resources in one single reporting team. Several new internal reports have already been created and further developments are planned.

In 2015 INEA developed for the first time a performance framework for CEF-T. This consisted in the development of KPIs based on the Article 4 of the CEF Regulation by which a set of indicators were established to assess the achievement of the Programme objectives. The KPIs were introduced in the eSubmission tool for the 2015 call. Applicants were asked to provide information on the KPIs. Following this pilot exercise and in order better report on the achievements of the Programme objectives, the performance framework for CEF Transport has been revised and implemented in TENtec Project Follow-up and e-Submission module in 2016. Following the verification of data by INEA's Project Managers, it can be reported that the actions selected under the 2014-2015 CEF Transport Call will remove 188 bottlenecks on the TEN-T network (including 55 on cross-border connections). Additionally, 1271 supply points for alternative fuels will be deployed along the TEN-T road network. Other indicators include, amongst others, the length of the TEN-T network to be equipped with ERTMS (3,717km), adapted to European nominal gauge standard (1,371km) or the length of the Inland Waterways to be upgraded (2,283km).

Additionally, a first generation of Member State reports was drafted which will allow DG MOVE to get detailed insights in the implementation per Member State of the TEN-T Programme 2007-2013 as well as CEF Transport. On this basis, further work will be carried out in 2017 and the Programme reporting activities of INEA will be further extended.



2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

This section answers to the question *how* the achievements described in the previous section were delivered by the Agency. This section is divided in two subsections.

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

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

2.1 Financial management and internal control

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

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

- *The periodic reports submitted by the Heads of Department on implementation progress of their respective areas of responsibility including the AOSD reports on internal control and risk assessment of their department;*
- *The reports of the ex-post audit function;*
- *The observations and the recommendations reported by the Internal Audit Service (IAS);*
- *The observations and the recommendations reported by the European Court of Auditors (ECA) and recommendations made through the different mid-term or final evaluation reports on the specific programmes;*
- *The observations and the recommendations reported by external parties (e.g. the CEF Advisory Board, the Observer(s) appointed to dedicated evaluations).*

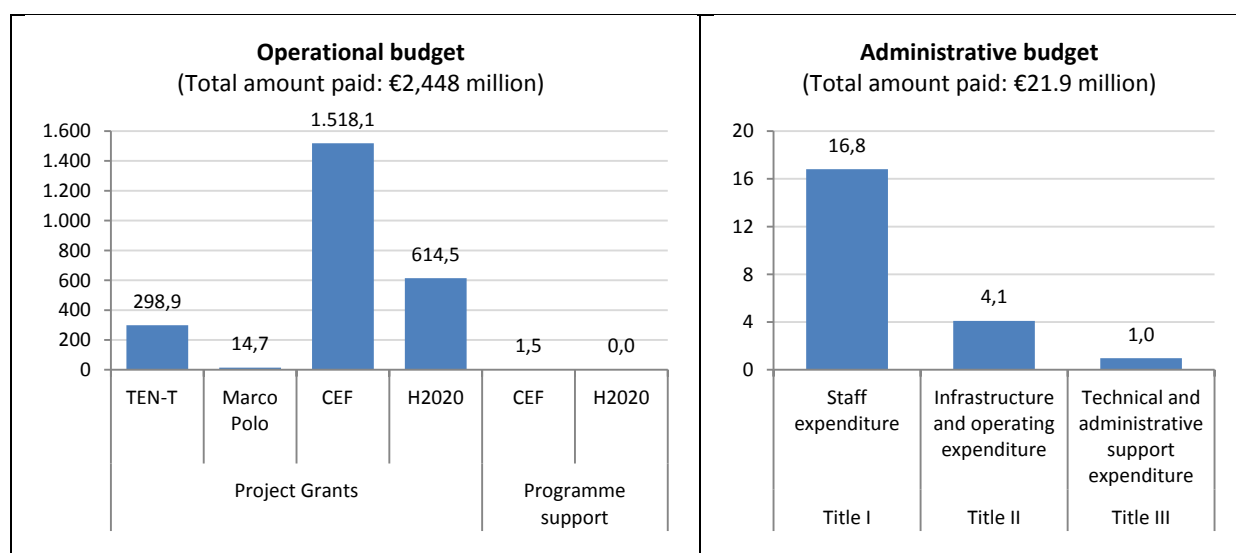
This section reports on the control results and other relevant elements that support management's assurance. It is structured into (a) Control results, (b) Audit observations and recommendations, (c) Effectiveness of the internal control system, and resulting in (d) Conclusions as regards assurance.

2.1.1 Control results

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives³⁸ and in line with the INEA Control Strategy. INEA's assurance building and materiality criteria are outlined in the AAR Annex 4. Annex 5 outlines the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the control systems.

The figures below present the operational payments made in 2016 by their respective Programme and type of payment. The payments on the operating budget are split over the three titles of the budget.

Graph 11 Total payments made by INEA in 2016 (amounts in € million)



In order to ensure its preparedness to face the extension of the Agency, INEA has enhanced its control system through the completion of an overarching and comprehensive Control Strategy. It lays the foundation for all mitigating measures related to the grant management risks with the purpose to ensure the legality and regularity of all related underlying operations based on a balanced mix of automatic and manual controls at each stage of the process. It encompasses the CEF and Horizon 2020 programmes delegated to INEA and the legacy programmes TEN-T and Marco Polo and includes the operating budget. The Control Strategy presents a complete overview of all specific controls which aim is to provide the necessary mechanisms for all levels of management and staff to build reasonable assurance.

³⁸ 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).

Graph 12 Overall conclusions table

	Grants (relevant expenditure in € million) ³⁹	Residual error rate	Independent info from auditors (IAS, ECA) on assurance or on new/overdue critical recommendations available?	Any reservation?
TEN-T	737.7	0.80%	N	N
Marco Polo	22.9	0.37%	N	N
CEF Transport	535.3	est. 1-2%	N	N
CEF Energy	59.9	est. 1-2%	N	N
CEF Telecom	10.1	est. 1-2%	N	N
Horizon 2020 Transport ⁴⁰	7.8	max 2%	N	N
Horizon 2020 Energy	69.8	max 2%	N	N
Operational budget (Progr. support)	1.5	est. <2%	N	N
Operational budget	1,444.5		N	N
Operating budget	21.9	est. <2%	N	N
Total coverage	1,466.8			

Operating budget

As detailed in in graph 12 above, the total payments made on the operating budget in 2016 amounted to €21.9 million. The controls in place to ensure the sound financial management and the legality and regularity all of the financial transactions related to the operating budget include the following procedures:

- Before using the operating budget, Operational Initiating Agents need to obtain the Director's written authorisation. In this respect, several notes on the main activities of the Agency have been prepared to describe how the operating budget will be consumed in 2016. The financial circuits for purchase orders include a check by the legal department, by an operational and a financial verifying agent and a formal signature by the Director;
- For every payment, the operational initiating agent prepares a note to the file including an opinion on the compliance of the service received with the order, and explaining the controls made to ascertain that the amount of the invoice is actually due;
- Heads of Unit / Deputy Heads of Unit working on the operating budget have received a delegation to sign payments. An operational and a financial verification are required;
- All payments on the operating budget are made by the Accountant. Two signatures are needed in case of a manual payment, that of the Accountant and that of the Head of the Legal Team;

³⁹ Same as in the amount at risk calculations in table 25.

⁴⁰ Waiting for DG RTD information on the estimated RER for Horizon 2020.

- The Accountant reconciles the bank statements on a monthly basis. A second independent control is carried out by the Internal Control Manager, who verifies the reconciliation.

Regarding the risks related to the legality and regularity of the underlying transactions, several layers of control are in place: an updated manual of procedures is the highest level; it is complemented with a series of models and templates and available on the Agency's intranet. The next level is the chain of controls for procurement and payments as explained above.

Control cost-effectiveness

The accounting quality programme of the Agency for the operating budget consists of revising all transaction files in invoices, payments and recoveries. The controls aim to spot ex-ante any possible errors that may impact on the reliability of the accounts.

The result of the checks performed is the basis for the certification of the annual accounts and the validation of the financial processes by the Accountant. It is also the basis for the signature of the Management Representation Letter that accompanies the Financial Statements and is addressed to the Court of Auditors. The letter is signed by the Director for the aspects of legality and regularity of transactions and by the Accountant for the reliability and the true and fair view of the accounts.

The cost of control is difficult to measure and its quantification is not undertaken here. Logically, it includes a share of the costs of the Director, the Internal Control Coordinator, the Head of Department Resources, the Financial Initiating and Verifying Agents, the Accounting team, the Operational Initiating and Verifying Agents and their management. The benefit is the sound control of the 956 payments done in 2016.

The net time to pay on the operating budget was 11.6 days (with 99.7% on time). Efficiency improvements have also been made for the operating expenditure on the operational budget (linked to paying experts, translation reimbursement, etc.) leading to a net time to pay of 18.6 days in 2016 (with 98.0% on time).

Grants under direct management

The control system is divided into four distinct stages - evaluation and selection of proposals, contracting, monitoring, and ex-post controls - each with specific control objectives. Key indicators have been defined for each stage including control effectiveness regarding legality and regularity and sound financial management (efficiency and cost-effectiveness).

Given the diverse nature of the Programmes and tasks managed by INEA, the analysis of INEA control system will be done per Programme, the CEF including the legacy of TEN-T and Marco Polo, and Horizon 2020.

Evaluation phase: only Calls for Proposals whose time-to-inform deadline took place in 2016 have been taken into account. The reason for it is to be able to assess the success rate⁴¹ of fully completed evaluations during 2016.

Contracting phase: only the Calls whose time-to-grant deadline took place in 2016 have been included. The reason for it is to assess the rate of reduction of the funds following

⁴¹ Ratio selected/eligible proposals.



the full completion of the GA preparation that had to be concluded by the end of 2015.

Monitoring phase: while monitoring includes several activities, the focus has been put on the ex-ante controls as its related costs and controls can be quantified. This stage is applicable to all Programmes as the first interim and final payments have been made in 2016 for CEF and Horizon 2020 actions.

Ex-post controls: this only applies to the legacy Programmes, TEN-T and Marco Polo, for which audits have been carried out in 2016. The first audits for CEF and Horizon 2020 will take place in 2017.

As a consequence, some of the figures regarding total number of selected proposals, GAs signed, etc. might differ from the figures mentioned in part 1, as the objective in this part two is to assess the cost-benefit analysis of fully completed stages.

Table 20 Overview of the programmes managed by INEA

Programme	Stage 1 Evaluation and Selection	Stage 2 Contracting	Stage 3 Monitoring the execution	Stage 4 Ex-post control
TEN-T Programme 2007-2013	Not applicable	Not applicable	X	X
Marco Polo II	Not applicable	Not applicable	X	X
CEF – Transport	X	X	X	Not applicable
CEF – Energy	X	X	X	Not applicable
CEF – Telecom	X	X	X	Not applicable
Horizon 2020 - Transport	X	X	X	Not applicable
Horizon 2020 - Energy	X	X	X	Not applicable

Stage 1 – Evaluation and selection of proposals

The first stage concerns the call for and evaluation of proposals. The overall control objective is to ensure that the most promising projects for meeting the policy objectives are among the selected proposals.

Control effectiveness as regards legality and regularity

Out of the 1,063 proposals submitted in 2016 concluded calls, a total of 1,013 proposals (1,045 declared admissible) were considered eligible under the Horizon 2020 and CEF calls organised by the Agency. The oversubscription⁴² rate for CEF Transport has been 1.6, for CEF Energy 1.7 and 1.1 for CEF Telecom. As per Horizon 2020, the oversubscription for single stage calls or the second stage of two stage calls has been of 2.2 for Horizon 2020 Transport and 4.6 for Horizon 2020 Energy. Following the evaluation of proposals against a block of award criteria, consisting of individual

⁴² Oversubscription is calculated on the basis of the requested funding of eligible proposals divided by the indicative budget of the call.

assessments and consensus meetings 419 out of 1,013 eligible proposals were recommended to receive funding.

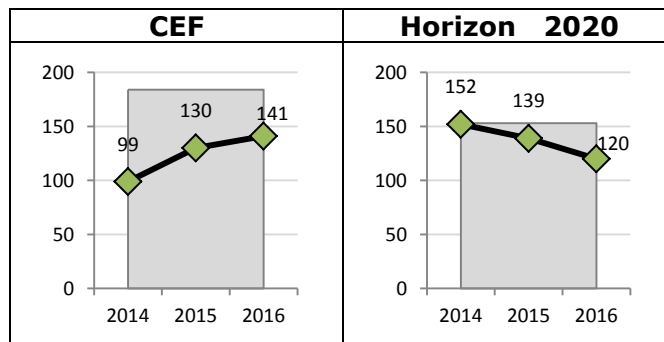
Table 21 Result of the evaluations for calls for proposals organised in 2016 (amounts in €)

Programme	CEF Transport	CEF Energy	CEF Telecom	Horizon 2020 Transport	Horizon 2020 Energy	Total
Submitted proposals	427	45	145	177	269	1,063
Admissible proposals	427	43	142	170	263	1,045
Eligible proposals	406	42	138	164	263	1,013
Selected proposals	195	24	113	40	47	419
Success rate	48%	5769%	82%	24%	18%	41%
Indicative budget (€ M)	7,562.0	750.0	77.6	460.0	359.0	9,208.6
Requested funding (eligible)(€ M)	12,491.6	1,268.6	84.7	999.4	1,644.7	16,489.0
Requested funding (selected) (€ M)	6,682.4	480.6	72.6	283.5	351.7	7,870.8
Success rate	53%	38%	86%	28%	21%	48%

Control efficiency

The evaluation exercises have been carried out in an efficient manner. The time-to-inform limit of six months for CEF programme and five months for Horizon 2020 has been respected. The multi-annual evolution of the time-to-inform is presented in the following graphics:

Graph 13 Development of the time-to-inform per Programme (in days)



The evaluation exercise benefits are the selection of proposals that best address the objectives and priorities of the work programmes, that due to their high maturity have the best chances for successful completion within the eligibility period, and that provide the highest EU added value for the completion of the respective policy targets. However, these benefits cannot be quantified.

Stage 2 – Contracting

The overall control objective of this stage is translating each of the selected proposals into legally binding GAs in a way that ensures an optimal allocation of EU funds.

Control effectiveness as regards legality and regularity

As a result of the contracting process, the total funding recommended following the evaluation process was reduced by 1.5% for CEF Transport, 18.1% for CEF Energy and 1.9% for CEF Telecom during the contracting phase. In the case of Horizon 2020, given that no negotiation phase is foreseen for this Programme, the difference between the recommended funding and the final awarded grant is negligible with 0.3% for the Transport and 0.4% in case of Energy.

Table 22 Benefits of stage 2 – Contracting

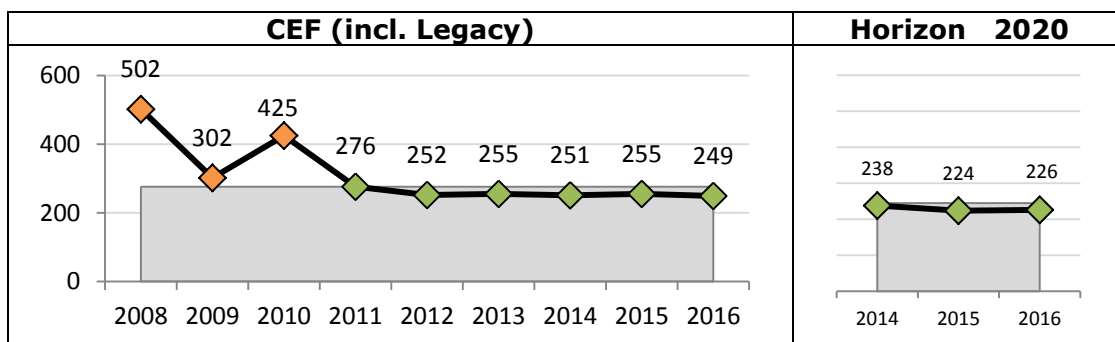
Programme	Number of selected proposals	Requested Funding	Number of signed Grants	Funding to signed Grants	Rate of reduction
CEF - Transport	195	6,682,407,197	189	6,579,665,076	1.54%
CEF - Energy	35	366,769,996	33	300,271,461	18.13%
CEF - Telecom	93	51,878,642	90	50,902,836	1.88%
Horizon 2020 – Transport	43	301,115,583	43	300,162,999	0.32%
Horizon 2020 – Energy	92	745,114,654	92	741,831,072	0.44%
Total	458	8,147,286,072	447	7,972,833,443	2.14%

As a consequence of the grant preparation phase, in particular for CEF, a total of €174.5 million was reduced from the awarded funding. This can be considered a quantifiable benefit of the contracting phase for 2015.

Control efficiency

The time-to-grant limit of 9 months for CEF programme and 8 months for Horizon 2020 has been respected. The multi-annual evolution of the time-to-grant for the successor Programmes is presented in the following graphics:

Graph 14 Development of time-to-grant per Programme



Stage 3 - Monitoring the execution

The overall control objective of this stage is to ensure that the projects are performing towards their implementation plans and that the financial operations comply with regulatory and contractual provisions.

Control effectiveness as regards legality and regularity

The execution of the projects is monitored through different tools, the results of the ex-ante controls being one of the most important ones allowing INEA to assess already at an early stage the legality and regularity of cost claims submitted by the beneficiaries. Other monitoring measures includes the assessment of the technical reports, which in some Programmes may have further pre-financing implications and commitments adjustments (only applicable to Multi-Annual Programmes), as well as direct and regular contacts with the beneficiaries and project promoters, technical site visits, project management workshops, among others.

In order to ensure the continuity of the robust ex-ante control system of TEN-T for the CEF, INEA has developed and adopted two ex-ante control strategies in 2016; one for both CEF Transport and CEF Energy and one, due to its distinct nature, for CEF Telecom. Both strategies are built on a risk-differentiated approach towards ex-ante controls for which best practices from the TEN-T Programme have been the basis albeit taking into account the specificities of each specific sub-programme. The strategies are focussed on controls of high impact items driven through targeted sampling with the purpose of maintaining the Agency's low error rate.

Following the adoption of the said strategies detailed implementing guidelines were conceived, developed, and adopted in the second half of 2016 to ensure a smooth implementation of the strategies. It was important for the Agency to have a common cross-sector approach in place thus ensuring equal treatment, harmonised implementation and proportional controls for all CEF projects and in particular towards all CEF beneficiaries.

For CEF-Transport 75 cost claims were submitted amounting to €574 million, of which €39 million were considered ineligible, a rejection rate of 7%.

For CEF-Energy 11 cost claims were submitted amounting to €60 million, of which €108K were considered ineligible, a rejection rate of 0.2%.

For CEF-Telecom 27 cost claims were submitted amounting to €10.5 million, of which €270K were considered ineligible, a rejection rate of 2.6%.

Considering that during 2016 the Programme Horizon2020 did not have common ex-ante control guidelines in place, the Agency drafted and implemented interim-guidelines in order to provide a reasonable assurance to the Authorising Officer on the payments launched through-out the year. The application of the interim guidelines led to the following results under the two Horizon2020 sub-programmes:

For Horizon2020 - Energy 38 cost claims were submitted amounting to €69.8 million, of which €101K were considered ineligible, a rejection rate of 0.15%.

For Horizon2020 – Transport 6 cost claims were submitted amounting to €7.7 million, of which €315K were considered ineligible, a rejection rate of 4%.

As regards the Legacy Programme TEN-T: the Agency introduced a revision to the TEN-T internal ex-ante control guidelines to take into account the increased number of multi-beneficiary projects participating in TEN-T. The purpose was not only to ensure an efficient closure of the Legacy programme but also preparing the path for a smooth transition to the CEF programme. For the 195 TEN-T cost claims submitted amounting to

€881 million, €117 million were considered ineligible, a rejection rate of 13%.

As regards the Legacy Programme Marco Polo, the ex-ante controls method amended in 2014 proved to be effective and will remain in force as such until the closure of the last projects. For Marco Polo 28 cost claims were submitted amounting to €32 million, of which €8 million were considered ineligible, a rejection rate of 25%.

Control efficiency

As 2016 is the year of the adoption of the CEF internal ex-ante control measures it is too early to assess their impact. This will be assessed in 2017 when the Agency has more qualitative and quantitative data available. For 2016 the average net time to pay for CEF Programme was 22 days; 17 days for CEF-Energy, 21 days for CEF-Transport and 23 days for CEF-Telecom.

As with CEF it is too early in the implementation of the H2020 programme to assess the impact of the interim ex-ante control measures in force. The average net time to pay for the H2020 Programme managed by INEA was 25 days; 13 for H2020-Transport and 31 for H2020 Energy.

The TEN-T sampling method has, as in the past years, proven to be quite effective in identifying ineligible costs, as shown by the detected error rate after ex-post controls (see stage 4 below) and the rate of error found by the Court of Auditors. TEN-T's net time to pay was 33 days.

Following the revised methodology of existing ex-ante control mechanisms for Marco Polo in 2014, the net time to pay for interim/final payments for Marco Polo has, as in the past year, remained steady at an average of 30 days.

Stage 4 – Ex-Post controls

Ex-post controls are a key element of the control strategy of the Agency. The objectives of the ex post control function are to provide assurance to management on sound financial management and on the legality and regularity of operational expenditure as well as to contribute to the improvement of the financial control systems for operational expenditure.

Control effectiveness as regards legality and regularity

- **TEN-T Programme**

The ex-post controls are carried out on the declared costs to the Agency and consist of verifying the legality and regularity of the underlying transactions, including public procurement controls to determine the amount of eligible declared costs (and consequently, the eligible EC contribution, comprised of cleared pre-financing and actual interim and final payment amounts). The controls are performed on a sample basis, according to a defined sampling methodology. When errors are detected, the audit sample is routinely extended or the finding extrapolated in order to ensure that similar errors are identified and corrected. When errors affecting the calculated EU contribution are identified, the ineligible amounts are notified to the AOSD for implementation of any required financial recovery or offsetting (against a following interim or final payment). For the TEN-T programme, a selection of audits is made with a mixture of risk and representative sampling of the authorised interim and final payments of N-1. This provides a selection that whilst not statistically representative, is as 'representative' as



possible, in terms of the coverage of projects in financial and geographical terms, and also in the blend of beneficiaries.

With an audit coverage of over 21% of the 2007-2013 TEN-T programme⁴³, allied with the limited number and homogeneity of TEN-T beneficiaries INEA is confident that the audit results give a good indication of the level of error in the non-audited population.

The detected error rate is considered to be applicable to the non-audited population as the best available estimate of the level of error remaining in the population.

Key Audit Results – TEN-T Audit Programme 2016

The 2016 TEN-T Audit workplan covered 21 audits. The field missions were performed for 100% of these audits by end of 2016 and of these, 13 (62%) were closed. From the 13 closed audits, 5 audits had findings resulting in recommended financial adjustments in favour of INEA for a total of €193,600.

The audit results of the 2016, as per previous years, show that the incidence of 'basic' errors such as the claiming of ineligible VAT, costs without sufficient supporting documents and costs outside of the eligible period are negligible in the context to the budget under management, which indicates that the ex-ante controls are operating effectively.

At the end of 2016, the multi-annual residual error rate for the TEN-T Programme 2007-2013 is calculated at 0.80%.

The low multi-annual detected error rate indicates that the ex-ante and ex-post controls have an effective learning and dissuasive effect, the true value of which cannot be quantified.

- **Marco Polo II Programme**

The control strategy for the Marco Polo II programme was inherited from EACI (now called EASME) when the programme was delegated to INEA in 2014.

The Marco Polo ex-post control strategy uses value targeted sampling to maximise the value of transactions selected and the cost-effectiveness of controls. Such sampling is not statistical representative. However, given that this value targeted selection has no inherent risk-bias in either way, it can be considered as being at least random enough to enable drawing conclusions.

Key Audit Results - Marco Polo Audit Programme 2016

As the Marco Polo payment conditions are not governed solely by the declaration of eligible costs⁴⁴, detected ineligible costs do not automatically imply a financial adjustment. The audits for Marco Polo also have to consider the declared modal shift, and the declared loss of the project. These three factors influence the final grant contribution. In 2016, 4 Marco Polo audits were finalised by INEA originating from the 2015 annual

⁴³ Based on completed audits at 31 December 2016. Audits which are not completed are not included in the error rate or financial coverage statistics. Only audits implemented by INEA are considered for the calculation of error rates.

⁴⁴ EU Contributions are determined taking into account the declared eligible costs limited to 35% of the Project budget, the Modal Shift or the total loss of the project.



audit plan. From these there were 2 audits with financial findings. However, as noted above, the payment for these projects was not made on the basis of declared eligible costs, but on the modal shift. Therefore, even with the detected ineligible costs there was no 'error' against the Marco Polo budget.

A further 2 audits from the 2016 annual audit plan were performed in late 2016. The audits are still open and therefore not included in any error rate reporting statistics.

The targeted audit coverage at programme level is 10%. With the 19 audits taken into account for the multi-annual residual error rate calculation, the audit coverage stands at 22%, exceeding the coverage target in the control strategy.

The multi-annual residual error rate, based on audits results known at the end of 2016 for Marco Polo is calculated as 0.37%.

- **CEF**

For CEF, no audits have yet been performed and therefore no error rate calculation or estimation is available.

In 2016 the Agency adopted the INEA Audit Strategy 2017-2024. The audits for all sectors of CEF will begin in 2017, through the execution of the 2017 annual audit plan. This will cover audits of interim and final payments for CEF projects processed in 2016, according to the financial coverage targets laid down in the Audit Strategy (15% for CEF Transport and CEF Energy, 7% for CEF Telecom).

- **Horizon 2020**

For Horizon 2020, ex-post audits are under the responsibility of the Common Audit Service (CAS) and not INEA. To date, the CAS has not finalised any Horizon 2020 audits given the stage of the programme lifecycle (very few cost claims were received by the Commission services before the second half of 2016). Consequently, the first significant sampling for the Horizon 2020 Audit campaigns was made at the end of 2016: a Common Representative Sample (CRS), a Common Risk Sample and an Additional Sample have been selected. Together with some minor sampling in May 2016, this represents, overall, 557 participations being audited. The first indications for the error rates (detected, representative and residual) are expected for the next annual report.

For the purpose of the current report, the error rate affecting the payments made under the Horizon 2020 programme can only be a preliminary estimation.

Based on INEA's solid transitional ex-ante control Strategy for Horizon 2020 developed in-house in 2016 and the adopted common H2020 Strategy to which INEA actively contributed, INEA considers that the control system in place ensures an effective and efficient detection of errors at the ex-ante control stage. It therefore estimates the residual error rate for Horizon 2020 at maximum 2%.

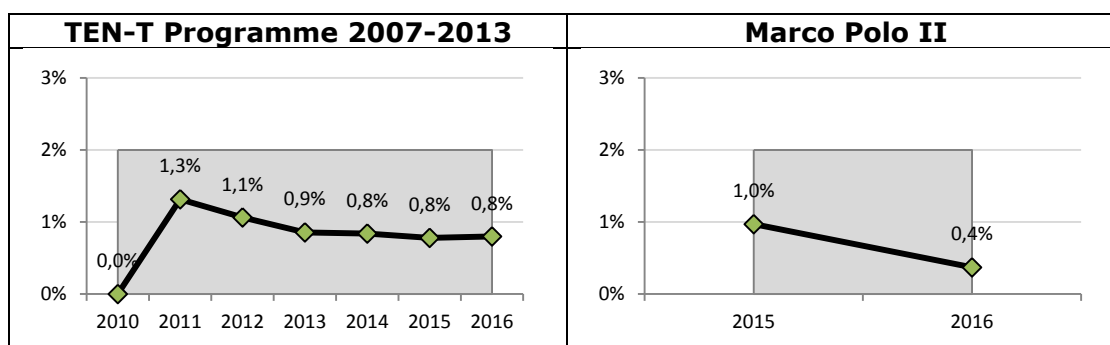


Table 23 **TEN-T and Marco Polo II Residual Error Rates**

Multi-Annual Residual Error Rates	TEN-T Programme 2007-2013	Marco Polo II
Total number of audits	88	19
1. Audited EU Contribution	813,764,988	24,719,306
2. Detected error	8,271,562	121,648
3. Detected error rate	1.02%	0.49%
4. Total errors corrected	8,149,480	121,525
<i>a) Errors corrected by 31/12/2015</i>	8,149,480	121,525
<i>b) Errors corrected 1/1/2016 - 31/03/2016</i>	0	0
5. Errors not corrected	122,083	123
6. Total EU Contribution accepted and paid	3,847,768,977	101,548,591
7. Audit coverage	21.15%	24.34%
8. Calculated multi-annual residual error = (5) + [(6)-(1)]*(3)	30,961,395	378,214
9. Multi-Annual residual error rate = (8)/(6)	0.80%	0.37%

The graph below shows the development of the multi-annual residual error rate for the two legacy Programmes.

Graph 15 Development of the multi-annual residual error rate per Programme



Control efficiency

Table 24 Number of audits

	TEN-T 2015	TEN-T 2016	Marco Polo 2015	Marco Polo 2016
Nr Audits in work programme	18	21	5	2
Completed field mission	18	21	5	2
Final Audit reports	18	13	5	0

As noted above, for the 2016 External Audit plan, 100% of planned audit fieldwork was made for both TEN-T and Marco Polo programmes. Overall, 13 out of 23 planned ex-post audits (57%) of the 2016 Audit work programme were completed within the calendar year. Audits are executed throughout the year, up to and including December; therefore

a completion rate of over 50% within the calendar year indicates that the audit process is working effectively.

Overall control effectiveness as regards legality and regularity

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

The main control objective for the legacy Programmes and the Connecting Europe Facility is to ensure that the residual error rate does not exceed 2% cumulative by the end of the programme implementation.

2016 was the first year of relevant expenditure for all seven specific operational objectives. For CEF and Horizon 2020 however no results from ex-post audits are available yet. In parallel, ex-ante and ex-post control frameworks have been established in 2016.

For the Connecting Europe Facility, due to the similarity in the Programme design and control framework, we expect similar results than for the TEN-T Programme. INEA's conservative estimate is therefore an error rate between 1-2%. The audit coverage targets for CEF Transport and CEF Energy (15%) and CEF Telecom (7%) have been taken into account in our estimation of the future average recoveries and corrections.

For Horizon 2020, actual results will be presented following the outcome of the first Horizon 2020 audits to be carried out in 2017. In the Financial Statement accompanying the proposal for Horizon 2020, the Commission expects to lower the representative error rate from 5% to 3.5%, with the Residual Error Rate being as close as possible to 2%. The table below includes the estimated figures for Horizon 2020 as provided by the Commission (detected error rate of 3.5% reaching, after corrections, a residual level of 2%). The Agency will revise them once data becomes available in 2017.

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



Table 25 Estimated overall amount at risk at closure

INEA	Total payments made	minus new prefinancing	plus cleared prefinancing (by cost claims)	relevant expenditure	Detected error rate	estimated overall amount at risk at payment	Average Recoveries and Corrections	estimated future corrections	estimated overall amount at risk at closure
	1	2	3	4=1-2+3	5	6=4*5	7	8=4*7	9=6-8
TEN-T	298.9		438.7	737.6	1.02%	7.5	0.26%	1.9	5.6
Marco Polo	14.7	1.2	9.4	22.9	0.49%	0.11	0.16%	0.04	0.08
CEF Transport	1,368.3	1,105.7	272.7	535.3	[1-2%]	[5.4, 10.7]	[0.19%, 0.39%]	[1, 2.1]	[4.3, 8.6]
CEF Energy	128.7	90.8	22.0	59.9	[1-2%]	[0.6, 1.2]	[0.19%, 0.39%]	[0.12, 0.23]	[0.48, 0.97]
CEF Telecom	21.1	15.5	4.5	10.1	[1-2%]	[0.1, 0.2]	[0.08%, 0.17%]	[0.01, 0.02]	[0.09, 0.19]
Horizon 2020 Transport	219.9	212.4	0.32	7.8	3.50%	0.27	1.50%	0.12	0.16
Horizon 2020 Energy	394.7	329.2	4.3	69.8	3.50%	2.4	1.50%	1.0	1.4
Operational budget (Progr. support)	1.5			1.5	[0-2%]	[0, 0.03]	0%	0.0	[0, 0.03]
Operational budget	2,447.7	1,754.7	751.8	1,444.9	[1.1-1.6%]	[16.4, 22.5]	[0.3%, 0.4%]	[4.3, 5.4]	[12.1, 17.0]
Operating budget	21.9			21.9	[0-2%]	[0, 0.44]	0%	0.0	[0, 0.44]
Total	2,469.6	1,754.7	751.8	1,466.8	[1.1-1.6%]	[16.4, 22.9]	[0.3%, 0.4%]	[4.3, 5.4]	[12.1, 17.5]

For INEA, the **estimated overall amount at risk at payment** for the 2016 payments made is between €16.4 and €22.9 million. This is the AOD's best, conservative estimation of the amount of *relevant expenditure* during the year (€1,466.8 million) not in conformity with the applicable contractual and regulatory provisions at the time the payment is made.

This expenditure will be subsequently subject to ex-post controls and a sizeable proportion of the underlying error will be detected and corrected in successive years. The conservatively **estimated future corrections** for those 2016 payments made are between €4.3 and €5.4 million. This is the amount of errors that the Agency conservatively estimates to identify and correct from controls that it will implement in successive years.

The difference between those two amounts leads to the **estimated overall amount at risk at closure** between €12.1 and €17.5 million.

Overall control Cost-effectiveness

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

The Agency is managing 'purely' grants under direct management. The total costs of the overall control system (all stages combined) can therefore be approximated by the operating budget of the Agency (€21.9 million) and the operating payments made on the operational budget (€1.5 million). The total cost of the control system in 2016 can hence

be quantified at €23.3 million. Therefore, the cost of controls correspond to 0.94% of the total operational payments made in 2016 (excl. the operating payments).

INEA estimated the costs of controls for each of the different stages in 2016. The result is shown in the table below.

The costs of the evaluation and selection of proposals (i.e. stage 1) corresponds to 0.1% of the amount recommended for funding following the evaluation of the CEF and Horizon 2020 Calls for Proposals in 2016.

Additionally, the cost of contracting and monitoring the execution of projects (i.e. stages 2 and 3) equals 0.6% of all the operational payments made in 2016.

Finally, the finalised audits in 2016 covered a total amount of EU contribution €113 million. Hence the cost of the ex-post controls (i.e. stage 4) equals only 0.8% of this amount.

The benefits of the Agency's controls can be indicatively calculated as the amount of errors and irregularities detected and corrected by these controls. Below, an overview of the estimated benefits of controls per stage:

Table 26 Costs and benefits of controls for each control stage (€ million)

Stages	COSTS (€ million)	BENEFITS (€ million)
Stage 1: Evaluation and selection	7.4	
Stage 2: Contracting	5.2	174.5
Stage 3: Monitoring the execution	9.9	191.5
Stage 4: Ex-post controls	0.9	
All stages included	23.3	366.0

Stage 2 – Contracting: During the preparation of the GA the EU contribution has in some cases been adjusted (€174.5 million).

Stage 3 - Monitoring the execution: The detection of ineligible costs at the time of ex-ante controls led to a reduction of €191.5 million of EU contribution.

From the above it can be stated that even without estimated quantifiable benefits in stages one and four, the total benefits of controls from the two remaining stages (€366 million) clearly outweigh the overall costs of controls together (€23.3 million) in a proportion of 15.7:1. When comparing the operating costs incurred (€23.3 million) with the operational expenditure (€2,446 million), the resulting ratio is set at 1.0%, demonstrating the cost-effectiveness of the programmes execution.

In addition, there are a number of non-quantifiable benefits resulting from the controls operated during the different control stages. Amongst the most important ones are that financed projects contributed to the achievement of the policy objectives (stage 1), and the deterrent effect of ex-post controls (stage 4). Furthermore, INEA considers that the necessity of these controls is undeniable, as the totality of the appropriations would be at risk if they were not in place.



Fraud prevention and detection

INEA has developed and implemented its own anti-fraud strategy (AFS) since February 2013, elaborated on the basis of the methodology provided by the Commission⁴⁵. It has been updated during 2015 and finalized in 2016.

The updated AFS was presented to INEA's management in January 2016 and circulated to the parent-DGs for comments in February 2016⁴⁶. Following this, the updated AFS was finalised and adopted by the Steering Committee on 25 February 2016.

Regarding OLAF cases, there is only one case still open recommending the recovery of funds. In addition, INEA has collaborated with OLAF in the investigation of eight other cases in 2016. Participation of the Agency has been ensured in the Fraud-Prevention and Detection Network (FPDNet) hosted by OLAF and the Fraud and Irregularity Committee of the Research Family (FAIR).

Reliable Reporting

According to Article 5 of its Establishing Act⁴⁷, and article 19 of its Delegation Act⁴⁸ INEA provides reports twice per year to the Commission and its Steering Committee on the tasks that it has been delegated. This reporting is based on the Agency's internal reporting procedure for monitoring its key areas of activity. The internal reports cover all key function areas and provide an updated picture of the Agency's activities to the management. They also ensure that the information is readily available if the Commission requires an on-the-spot check, as it is entitled to do according to Article 20⁴⁹ of the Council Regulation on the statute of the Executive Agencies.

The Agency also reports to the Internal Audit Service on the follow-up of its audit recommendations. This is done twice a year (in January and July) by the Internal Control Manager via the IAS IT tool 'Issue Track'.

Safe-guarding of assets

The Agency protects its assets through a good internal control system which guards against loss because of theft or errors - and provides reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of its assets that could have a material financial effect by the following means:

- The Assets and Inventory Committee

⁴⁵ COM (2011)376 24.06.2011.

⁴⁶ Note to Parent DG's with ref. Ares(2016)483012 -29/01/2016.

⁴⁷ Commission Implementing Decision of 23 December 2013 establishing the Innovation and Networks Executive Agency and repealing Decision 2007/60/EC as amended by Decision 2008/593/EC.

⁴⁸ Delegation Act: Decision C(2013) 9235 of 23 December 2013 delegating powers to the Innovation and Networks Executive Agency with a view to the performance of tasks linked to the implementation of Union programmes in the field of transport, energy and telecommunications infrastructure and in the field of transport and energy research and innovation comprising, in particular, implementation of appropriations entered in the general budget of the Union.

⁴⁹ Council Regulation 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.

- The 'Assets and Inventory Management' guide
- The Anti-fraud Strategy contains actions to cover all stages of the anti-fraud cycle.
- Assurance also exists that transactions related to assets have been properly processed and are appropriately controlled. In accordance with the Financial Regulation, the Agency uses the 'four-eyes' principle so that before an operation is authorised, all operational and financial aspects are verified by a staff member other than the one who initiated the operation.

In addition during 2016 and based on a recommendation by the Inventory Committee, the IT inventory manager improved the inventory procedure as well as including an "Inventory Report".

2.1.2 Audit observations and recommendations

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

European Court of Auditors (ECA)

During the period of reference the Agency was audited by the European Court of Auditors (the Court) in three main areas: the operating budget and the preparation of the annual accounts; the Declarations of Assurance (DAS) for 2015 and 2016 and certain ongoing special audits.

The audit on the 2015 operating budget and annual accounts aimed to obtain reasonable assurance that the Agency's annual accounts are free of material misstatement and that the underlying transactions are legal and regular. The auditors made recommendations on the application of the recovery context in the financial transactions and on the completeness of the documentation of the accounting controls. The Agency immediately took actions to implement the recommendations.

The Court issued a positive opinion with no reservations on the 2015 operating budget and annual accounts of the Agency. The auditors made a comment on level of the carry over in title III of the budget to the 2016 budgetary year. It equalled to 51% of the committed appropriations, while the recommended ceiling was 30%.

The carry-overs to 2016 were justified as they concerned mainly services which could not be invoiced by the end of the year or postponed until the next year.

In the scope of the DAS 2016, seven transactions on the operational budget were selected for review. The Agency provided the requested documents and participated in all the Court's visits to the beneficiaries. INEA has received four SPF, three with no observations and one with an observation. The results for the other three will be received and dealt with by the Agency in 2017.

In the course of 2016 the Agency also received the results from three audited transactions from DAS 2015. For two of them the Court did not issue observations. One



had an observation about a delay of the publication of the award letter by the beneficiary.

The Agency has one pending action resulting from DAS 2014. A recovery of EUR 230 309 will be implemented during the final payment to the project in the beginning of 2017. There are no actions for implementation resulting from DAS 2015 and 2016.

INEA contributed with documentation or comments, and attended various meetings on the special audits on Maritime freight infrastructure, on Public Private Partnerships, on ERTMS, and on High-Speed Rail infrastructure. The Agency also reported on the Road audit follow up actions.

The Director and senior management staff of INEA also attended the hearing in the CONT Committee in the European Parliament on the subject 'Control of projects and implementation of EU funds in the area of infrastructure and transport - effectiveness and problems'.

Internal Audit Service (IAS)

During the reporting year two audits have had an impact on INEA activities:

- The audit on 'Coordination with parent DGs in the context of the Strategic Planning and Programming process' was launched on 16 February. The IAS concluded that INEA has put in place appropriate coordination and working arrangements with its parent DGs that ensure the effective implementation of the key stages of the SPP cycle. No significant risks that may adversely affect the achievement of the business objectives for the processes reviewed were identified and the audit was closed without recommendations.
- On 12 September the audit on 'Ex-ante controls for CEF and Horizon 2020' was announced and the preliminary phase is in progress. The official kick-off meeting is to be expected in the first quarter of 2017.

As to the state of play of outstanding open audit recommendations (Followed up through the IT application ISSUE track managed by the IAS) INEA has no outstanding pending issues.

The status of implementation of action plan(s) following audit is as follows:

- The action plan in response to the recommendations of the 'Preparedness of the Management and Control System for CEF and Horizon 2020' audit been accepted by the IAS on 12 February 2016. At this moment all three recommendations are considered as implemented.

To be noted that on 10 February 2017, the IAS issued a positive conclusion on the state of internal control, which draws on the audit work of previous years and covers all open recommendations issued by the IAS and IACs (taken over by the IAS). This is a very positive building block of the Declaration of Assurance (see further).

Conclusion

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



All recommendations issued by the European Court of Auditors and the Internal Audit Service are subject to a systematic follow-up and their status of implementation is closely monitored and reported to senior management.

2.1.3 Assessment of the effectiveness of the internal control systems

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

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

INEA annually assesses the effectiveness of its key control systems using as a basis the INEA Control Strategy and its Inventory table of key controls. The assessment relies on a number of monitoring measures and sources of information including:

- Management self-assessment and AOSD reports;
- Lessons Learned exercises;
- Desk review by the Internal Control Manager (ICM);
- Updates/progress of related agreed actions through the Action Follow-up Tool;
- An analysis of the entries in the register of exceptions and non-compliance (ICS8) including detection of internal control weaknesses (ICS12);
- Relevant audit findings and observations and the annual risk assessment process (ICS6);
- Input, observations and recommendations from external sources as the CEF Advisory Committee, staff survey(s), coordination meetings with Parent DGs, the Steering Committee and Observer(s) appointed to Evaluations to assess the process and suggest improvements.

Effective implementation of the Internal Control Standards

The Agency's annual review of its implementation of the Internal Control Standards takes normally place between October and December and is conducted by a revision of the control inventory and assessment of the key controls identified involving a high number of staff members and management. In view of the very high workload of INEA staff including middle managers in Q4 with the aim to reach the policy objectives set (see part one), it was agreed that for 2016 that a desk review of the key controls, targeted interviews with 'key control holders' on compliance and effectiveness of implementation of the Internal Control Standards and sample testing of key controls would be carried out. Special attention was given to the three 2016 prioritised IC standards being: (1) Staff Appraisal and Development (ICS4); (2) Processes and Procedures (ICS8) and (3) Document management (ICS11) each having their respective action plans linked and monitored through the Action Follow-up Tool.



This led to a 'top-down' assessment of the Agency's internal control status, with respect to both the ICS compliance and the effectiveness of the control arrangements in place to senior management. Furthermore, the 'bottom-up' information in internal control issues received through the AOSD Management reports complements the overall view.

The effectiveness review carried out during the reporting year concluded that all Internal Control Standards were effectively implemented in the Agency. In addition and in view of the EC wide revised Internal Control Framework (to be formally adopted by Q2 2017 at the latest), the Agency has already started the preparation of the update of the control inventory and the roll-out and implementation process. This will allow adequate assurance for the 2017 AAR against the EC wide revised control framework.

Deviation reporting: exceptions and non-compliance events including identification of internal control weaknesses.

The functioning of the internal control systems can also be assessed throughout the year by means of a systematic registration of exceptions and non-compliance events (under ICS8) and internal control weaknesses (ICS12). The Agency has a system in place to ensure the recording of exceptions or non-compliance to procedures/rules through a process of justification by the initiating service, approval by the Director and the maintenance of a central risk register. The INEA Manual of Procedures (MoP) explains the process in detail and is available on the Agency's intranet.

During the reporting year, five deviations were registered all occurring during the first semester. Four concerned non-compliance events – for a total amount of €6,741.98 – resulting from a revised procedure put in place for purchases on the administrative budget. The exception was linked to a non-compliance event in the TEN-T programme on the interpretation of eligibility of land acquisition costs resulting in an amount of €1,495,887.1 to be accepted as costs by the beneficiary. The underlying causes have been analysed and corrective and alternative mitigating controls have been implemented where and when necessary. The analysis of the underlying reasons of the reported deviations were not considered as material and thus not a reason for a reservation in the Declaration of Assurance.

Risk Management

Each year, the Agency conducts a risk management exercise as part of the Annual Work Programme. The process is designed to alert managers to possible problems in delivering their mission and objectives and encourage early action in order to anticipate and overcome potential pitfalls. The outcome of this exercise is an obligatory risk register containing the most significant risks at INEA level.

The Risk Management exercise for 2016 has been a bottom-up exercise assessing the local Risk Registers and Unit and Department level, feeding into the High level INEA Risk Register which took up four significant risks ((1) Coordination with parent DGs, (2) insufficient capacity building, loss of expertise; (3) Departments not sufficiently qualified to deal with all task requirements and (4) IT-Tools governance) to be closely monitoring through the associated mitigating Action Plan.

The mid-terms review of the risk assessment for all INEA's Risk Registers took place by dedicated interviews with middle and senior managers during the summer period and concluded that INEA's exposure to risks remained under control and risk levels could be generally be lowered especially thanks to:

- The revised and improved BCP plan in the aftermath of the terrorist attack



- The IAS audit related to our major risk on coordination with parent DGs concluded without findings (see dedicated section)

In 2016 the Agency reinforced the risk management exercise by:

- Further building on the Unit Risk Register base-line approach to build the INEA high level Risk Register
- Introduce a mid-term review process through interviewing middle and senior management allowing if need be pro-active corrective measures
- Unit and Department Risk Registers as a building block for the Authorizing Officers by Sub-Delegation to provide their assurance to the Authorizing Officer by Delegation

Through the close linking of the INEA objectives with the Risk management and overarching Control - and Anti-Fraud Strategy allowing for an agile approach will allow for a smooth incorporation of the INEA risk management approach into the revised control framework scheduled to be implemented in spring 2017.

Audit recommendations

INEA has established a pro-active supervision and reporting follow-up, ensuring a timely implementation of all ECA and IAS audit recommendations. The state of implementation of audit recommendations is reported to senior management on a regular basis through the Action Follow-up Tool as well as through IAS feedback on GRC Issue Track status. This mechanism has allowed INEA to assure good performance in the implementation of audit Recommendations.



General Risk Environment

Following the mission statement to support the Commission, project promoters and stakeholders by providing expertise and high quality of programme management to infrastructure, research and innovation projects in the fields of transport, energy and telecommunications, and to promote synergies between these activities, to benefit economic growth and EU citizens, as a spending EA, the inherent risks of INEA are associated with sound financial management. The Agency is particularly concerned to keep error rates in spending programmes down to a tolerable level and to balance trust and control.

Conclusion

Concerning the overall state of the internal control system, generally INEA complies with the three assessment criteria of effectiveness; i.e. (a) staff having the required knowledge and skills, (b) systems and procedures designed and implemented to manage the key risks effectively and (c) no instance of ineffective controls that have exposed the Agency to its key risks.

Further enhancing the effectiveness of the Agency's control arrangements in place in line with the Overarching Control Strategy, by inter alia taking into account any control weakness reported and exceptions recorded, is an on-going effort in line with the principle of continuous improvement of management procedures.

In conclusion, the internal control standards are effectively implemented and functioning. Furthermore INEA has taken a pro-active approach to anticipate as much as possible the adaption to the new revised EC Internal Control Framework.



2.1.4 Conclusions as regards assurance

This section reviews the assessment of the elements reported above (in Sections 2.1, 2.2 and 2.3) and draws conclusions supporting the declaration of assurance and whether it should be qualified with reservations.

The information reported in Part 2 stems from the results of management and auditor monitoring contained in the reports listed. These reports result from a systematic analysis of the evidence available and give a true and fair view. 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 INEA as Authorising Officer. This is confirmed by the statement of the Internal Control Coordinator in Annex 1. Further assurance is obtained by the risk management process put in place, and during the reporting year, no cases of significant conflicts of interest, misapplications of procedures or intentionally overridden controls came to the attention of the Agency's management. Management has therefore obtained satisfactory evidence that the internal control system in its entirety is implemented effectively in INEA.

Results from audits during the reporting year give an overall positive feedback and did not include any critical findings. The residual risk from audit recommendations remaining open from previous years is not considered to have a bearing on the declaration of assurance.

On the basis of the supervision and monitoring activities, the INEA management judges that resources are used for the intended purpose following sound financial management, legality and regularity and non-omission of significant information. Other internal control objectives (safeguarding of assets and information; and the prevention, detection and correction of fraud and irregularities) for both expenditure and/or revenue operations are achieved. There are no weaknesses identified that significantly affect operational management nor the legality and regularity of the Agency's actions in 2016. In the internal control assessment no critical observations were made that would affect the Director's declaration. In conclusion, the Authorising Officer for INEA has obtained reasonable assurance for the budget delegated to him as well as for the Union's own resources.

Overall Conclusion

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



2.1.5 Declaration of Assurance [and reservations]



DECLARATION OF ASSURANCE

I, the undersigned,

Director of Innovation and Networks Executive Agency

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 view⁵⁰.

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, and the limited conclusion of the Internal Auditor on the state of control 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 INEA or those of the Commission.

Brussels, 30 March 2017

(e-signed)

Dirk Beckers

AOD

⁵⁰ True and fair in this context means a reliable, complete and correct view on the state of affairs in the Executive Agency.



2.2 Other organisational management dimensions : Specific Horizontal objective

As indicated in the INEA Annual Work Programme 2016, the Agency's Horizontal priority is to maximise the efficiency of the Agency's resources, providing programme support and administrative support so as to help the Agency achieve its objectives. The following actions have been flagged as main contributors to the achievement of this objective.

2.2.1 Human resource management

Objective: The DG deploys effectively its resources in support of the delivery of the Commission's priorities and core business, has a competent and engaged workforce, which is driven by an effective and gender-balanced management and which can deploy its full potential within supportive and healthy working conditions.

Indicator 1: Percentage of staff who feel that the Commission cares about their well-being⁵¹

Source of data: Commission staff survey

Baseline (2016)	Target	Latest known results (please indicate the corresponding year)
65%	50% through the implementation of the fit@work programme	65% (staff survey 2016)

Indicator 2: Staff engagement index

Source of data: Commission staff survey

Baseline (2016)	Target	Latest known results (please indicate the corresponding year)
68%	67% through all actions deriving from the HR strategy	68% (staff survey 2016)

All of the following policies, actions and activities are valid for the entire Agency with no differences between the Programmes. An HR Strategy paper for INEA was drafted, adopted by the management and presented to all staff in November 2016. This multi-annual HR strategy covers the year 2016-2020 and outlines a series of actions.

INEA took part in the Commission's Job Satisfaction Survey launched by DG HR in June 2016 with the first highest response rate (86%). An analysis of the results was presented to the staff in November 2016. A report analysing the results has been drafted and will be adopted by the management early 2017.

⁵¹ This indicator may be replaced by a fit@work index on which DG HR is currently working.

Staffing and Recruitment

At the end of the reporting period, INEA had 225 active staff - representing 26 different EU nationalities. The Agency also had 24 external staff members, including interim staff, trainees and consultants.

58% of the active population is female and 42% male. Regarding age, the Agency has a population in which the majority (85%) is aged between 31 and 50 years old.

The 2016 staffing plan is almost covered. 26 vacant positions remained to be filled by the end of 2016 as per the Recruitment Plan. Their vacancy is due to the absence of valid EPSO reserve list for contractual agents. 14 recruitments were confirmed for January-February 2016 and ongoing selections are running for the remaining posts.

In cooperation with EPSO, DG HR and the other EAs, the Agency has worked on the lessons learned of the semi-Permanent CAST restricted to EAs which has been launched end of July 2015 and used until end of 2016. INEA took part in the Career Day organised by the Commission on the 15 November 2016. Leaflets including FAQ have been distributed to all visitors of the INEA stand.

Within the framework of the fit@work programme, a Vitality week for all staff was organised in June 2016 including a series of workshops and activities around mental and physical health. This initiative was a great success and is now part of the INEA HR Strategy.

Career Development and Training

As regards training, INEA developed, on the basis of the results of the 2015 training needs analysis, a Learning and Development Framework (LDF) which was adopted in March 2016 and presented to all staff in May 2016. This LDF defines 8 priority areas in project management, administrative support, technical competences, managerial skills, communication, knowledge sharing, integration of newcomers and well-being. Within this framework specific internal courses were developed to respond to the identified needs. An Away Day for the whole Agency was organised in September this year and included a presentation on a number of the projects co-funded by the Agency.

Staff Administration

Regarding staff administration, INEA continued to undergo an extensive exercise of verification of Sysper individual personal rights and entitlements of all staff in order to cope with the PMO new payroll system which is linked to Sysper (TRANSCODE). This exercise has been closed in November 2016. The Agency has also assessed the pilot exercise of 2015 for setting up a teleworking scheme (structural and occasional). New implementing rules on teleworking and part-time work have been adopted, presented to all staff and supported by guidelines on teleworking. A new call has been processed with a slight increase of applicants. Another big challenge was to undertake the digitalisation of all the personal files; the project has almost been completed.

New modules in Sysper have been released such as the certificates and the change of address declaration.



2.2.2 Better Regulation Not Applicable

2.2.3 Information management aspects

Objective: Information and knowledge in your DG is shared and reusable by other DGs. Important documents are registered, filed and retrievable

Indicator 1: Percentage of registered documents that are not filed⁵² (ratio)

Source of data: Hermes-Ares-Nomcom (HAN)⁵³ statistics

Baseline (2015)	Target	Latest known results (please indicate the corresponding year)
2.68%	0%	0.40% (2016)

Indicator 2: Number of HAN files readable/accessible by all units in the EA

Source of data: HAN statistics

Baseline (2015)	Target	Latest known results (please indicate the corresponding year)
84.68%	85%	86.06% (2016)

Indicator 3: Number of HAN files shared with other DGs

Source of data: HAN statistics

Baseline (2015)	Target	Latest known results (please indicate the corresponding year)
14.67%	15 %	13.90% ⁵⁴ (2016)

For Document management the use of the paperless workflows was extended. A specific Agency's Task Force was created in this respect that proposed to the Management a concrete action plan to increase paperless procedures.

Furthermore preliminary steps with DIGIT and SG have been taken to incorporate TENTec into Hermes. The integration will contribute to more effective document management of the projects.

⁵² Each registered document must be filed in at least one official file of the Chef de file, as required by the e-Domec policy rules (and by ICS 11 requirements). The indicator is to be measured via reporting tools available in Ares.

⁵³ Suite of tools designed to implement the e-Domec policy rules.

⁵⁴ H2020 project files are shared with other DGs. There is no change in the policy followed by the Agency. The figure shows the situation at a certain point in time.

2.2.4 External communication activities

Objective 1: Promoting funding opportunities

Indicator 1: People reached

Source of data: Web statistics, social media statistics, information day attendance, including web streaming, as well as statistics from participation to other events

Baseline	Target	Latest known results (2016)
<i>Not available</i>	<i>to be set for 2017</i>	11,096,659

Indicator 2: % newcomers to the information days

Source of data: Feedback forms

Baseline (2015)	Target	Latest known results (2016)
64%	50 % ⁵⁵	58,5%

Objective 2: Promoting project results/successes

Indicator 1: People reached

Source of data: Web statistics, publications distributed, event statistics from parent DGs if available (Social media statistics will be included as from 2017)

Baseline	Target	Latest known results (2016)
<i>tbc</i>	<i>to be set for 2017</i>	120,724

Objective 3: Engaging with beneficiaries

Indicator 1: Satisfaction rate of participants for the information day

Source of data: Feedback forms

Baseline (2015)	Target	Latest known results (2016)
85%	75%	92%

Indicator 2: Number of people retweeting the Info day tweets to their followers (total potential reach)

Source of data: Twitter stats per call/ hashtag

Baseline	Target	Latest known results (2016)
<i>Not available</i>	<i>to be set for 2017</i>	3,785 tweets
<i>Not available</i>	<i>to be set for 2017</i>	10,844,101 potential reach

Indicator 3: Number of people finding content they were looking for on the website

Source of data: Online survey

Baseline	Target	Latest known results (2016)
<i>Not available</i>	<i>to be set for 2017</i>	63%

⁵⁵ This is valid only for Horizon 2020 - due to the nature of CEF +/- same stakeholders come back.

Annual communication spending (based on estimated commitments):

Baseline (Year n-1):	Target (Year n):	Total amount spent	Total of FTEs working on external communication
€250,921.00	€279,892.80	€270,584.61	6.75

External Communication

INEA has continued to put emphasis on communication in 2016 in line with its Multi-Annual Communication Strategy (MACS) 2016-18 adopted in July.

The Agency's communication activities on Horizon 2020 were in line with the MoU.

Communication activities were concentrated around the project lifecycle, in particular *calls for proposals* and *key events*. This included the following activities and outputs:

- Organisation of 10 Info Days and a Synergy Call Info Day organised with the concerned parent DGs attracting over 24,821 participants, of which 3,910 attended the events physically and 20,911 followed them online or downloaded the video later.
- Participation to CEF National Info Days and events
- Production of 23 new publications such as :
 - 'Implementing CEF Transport 2014-2015' brochure
 - 'Building Tomorrow's Mobility' featuring two INEA-managed projects per CEF Core Network Corridor plus ERTMS and MoS.
 - CEF Energy - a brochure on the ongoing actions
 - CEF Synergy leaflet on the 2016 call.
- Horizon 2020 Transport, Smart Cities and Communities, and Smart Grids and Storage 2017 funding opportunities brochures including 'Supporting clean energy in Europe'
- Synergies between the CEF and Horizon 2020 programmes showcased thanks to an Intelligent Transport Systems (ITS) for Roads brochure produced for the European ITS Congress in Glasgow, and 'Urban mobility' - a snapshot of projects managed by INEA that develop innovative solutions for urban transport.

The above actions supported the following communication results:

- Over 1 million website page views.
- Estimated over 11 million people reached (out of which 9.5 million via Info Days)
- 2,814 new followers joining on Twitter and LinkedIn in 2016

Support to policy events in 2016 included: TRA2016, EU-China Aviation Week, EU-Canada forum on aviation, European Innovation Partnership on Smart Cities and Communities, Transport for smart cities 2016: scaling innovation in Europe, Energy Infrastructure Forum, ITS Congress, eDelivery and eInvoicing Days, DIGITEC, ICT Proposers Day and the TEN-T Days, the latter attracting over 75 INEA beneficiaries from the CEF and Horizon 2020 programmes as exhibitors, with the exhibition being organised by INEA. A specific project management workshop was held by INEA in the framework of the TEN-T Days.

Eight high level Grant Agreement signature ceremonies were organised, with some in the presence of President Juncker, and one with the Bulgarian Minister of Transport at INEA's premises.

Internal communication

Internal communication started to focus on staff's role as ambassadors for both INEA and the EU – and this will continue to be developed with a campaign in 2017. A new section about this was created on the intranet including links to various resources for colleagues. Information was also included in a newsletter article about the Multi-Annual Communication Strategy as a whole, and in a new publication on Communication in INEA A to Z which will be finalised and published in early 2017. A presentation on the strategy is given during the Agency's regular newcomer 'Welcome Days'.

The internal communications activities included:

- Quarterly staff assemblies with the Agency Director
- Newcomers breakfast with the management
- Informal monthly Coffee with the Director with the staff
- Weekly free slots in all Heads of Department and the Director's calendars for talking to staff.
- Four editions of INEA's internal newsletter - W910 – and 21 editions of a new fortnightly staff e-Newsletter.
- Weekly message from the Director on the intranet,
- Publication of 198 individual news items on INEAnet
- launch of a new INEAnet with revised content and a modernised design
- Internal publications were created on the Annual Work Programme 2016, INEA's HR Strategy, and Agency Communication services A to Z new posts for 2017 updated for participation at the Commission's Career Day in November at the Agency's stand
- Launch of INEA's Communication Network
- Further development and features of SharePoint

2.2.5 Other horizontal activities

Support to policy making

For CEF, in the preparation for the admissibility and eligibility committees as well as for external and internal evaluations, various tables and detailed statistics (per country, corridor, funding objective or priority level) were developed. In addition, coordination meetings with the parent DGs were organised on the execution of the programme, and the evolution of the evaluation and GAP phases, among other issues. Additionally, INEA provided all necessary data to the consultants carrying out the CEF mid-term review.

INEA has further developed the performance indicators for CEF Transport in TENtec that fulfils the Commissioner's request to regularly report on the impact of the co-funded projects on the CEF Transport objectives as set out in the CEF Regulation (Article 4). These indicators have been introduced in the e-submission and project follow-up module in TENtec. The results will be continuously evaluated during the lifetime of the Programme. Additionally, further initiatives have been taken to ensure the reporting on Programme implementation to the parent DGs. A CEF Transport Implementation brochure was published and Member States reports for the TEN-T Programme and CEF Transport were drafted.

As regards energy, INEA has put in place a monitoring tool ("PCI Progress Watch") in order to follow the development of all PCIs, including those not co-financed under the CEF. The tool is shared with DG ENER, allowing both sides to report, monitor and extract status information on every PCI, both as regards technical and financial data and the key



project development milestones.

In order to provide feedback to the Commission on Horizon 2020, the network of INEA and parent DG correspondents - which had been created at sector level during the early stages of the delegation process - continued to meet to discuss the state of play of the implementation of the programmes. Cooperation between the Agency and the parent DGs in some steps of the operational implementation of the programme of specific topics was enhanced. In particular, the support of the parent DGs was decisive for the timely conclusion of the evaluations of the above mentioned activities.

Assistance in the management of Financial Instruments for CEF

In 2016 the Agency ran a more in-depth assessment of the CBA for the evaluation of CEF 2015 Transport applications.

As a follow-up of the screening of the proposals received under the 2014 CEF Transport call, an ex-post analysis was conducted to determine how the projects (where use of a financial instruments was considered possible) are subsequently assessed and/or financed by financial institutions (primarily the EIB). Additionally, a methodology was defined and applied to the screening of the CEF Transport 2015 applications.

During last quarter, lessons learned from the pilot assessment of CBA were presented to applicants, at the occasion of several information days and were used to fine-tune the guidance for applicants for the next call (CEF Transport 2016) to enhance the benefits of this financial and economic tool for applicants, in terms of project selection, and for the Agency. Specific CBA guidance per priorities was provided, at the occasion of thematic panels on MoS and Inland waterways.

At the request of DG ENER, the Agency completed a review of the PCI projects that applied for CEF funding, aiming at identifying projects that have potential for financial instruments. The findings of this review were presented to DG ENER in July and later followed, for 2 projects where a structured financing was contemplated in CEF Energy applications, with specific discussions on the funding gap and required appropriate funding.

Legal affairs

During the reporting period, the following activities have been carried out:

- Completion of the internal Guide on Amending a CEF Grant Agreement with the relevant templates to support Operational Units in INEA for the processing of GA's modifications.
- Launch of the revision of the CEF model GA following the last revision of the Financial Regulation, as well as the GA model specificities of the 1st Synergy Call and Blending Call.
- Adoption of the Commission Decision on the reimbursement of personnel costs of beneficiaries of the Connecting Europe Facility (C(2016) 478 final) to simplify funding rules for staff cost.
- Launch of various guidelines and templates for financial guarantees and grant management (termination, suspension, eligible costs).
- Launch of the revision of the Modus Operandi for the verification of CEF-T projects compliance with EU environmental policy in close cooperation with DG ENV.
- Revision of INEA's MoP was completed on 16 December 2016 by the presentation of the revised document to the Steering Committee.
- The preparation of the guidelines/modus-operandi on the legality review of INEA's acts pursuant to Article 22 of Regulation (EU) No 58/2003 has started.



- 18 requests for Access to Document were handled by INEA during the reporting period. Out of which, only one reply is pending⁵⁶: 6 requests were granted positive access, 3 requests received only partial access⁵⁷, 4 requests were not granted access in view of the requirements of Regulation (EC) 1049/2001 and 4 requests were out of the scope of INEA's tasks in this matter.

IT, reporting and logistics

The Agency continued implementation of new modules of TENtec in order to adapt it to the specificities of the CEF Programme. The TENtec development programme for all three sectors was adopted by the TENtec Steering Committee in December 2015 in line with the annual call planning. All 2016 CEF calls were managed using TENtec. The developments included:

- A new eSubmission module was implemented for CEF Energy calls and another one for the Synergy call
- The Evaluation module was further enhanced and a new one was designed for the evaluation of the Synergy call.
- The original Grant Agreement module for transport and energy was fully redesigned and redeveloped and at the same time extended to CEF Telecom actions and all sectors were provided with an automatic generation of grant agreements and electronic grant signatures.
- The development of the grant agreement amendments module for all three CEF sectors. The system also generates consolidated grant agreement texts that reflect the changes to the initial grant agreement.
- Redevelopment of the new Action Status Report (ASR) module for the first CEF ASR reporting exercise launched in January 2016 combining specificities from both transport and energy sectors into a single application.
- The internal project follow-up (PFU) module was developed to offer functionality to follow up the evolution of indicator's target values initially reported in the submission phase.

The reporting environment of INEA was kept up-to-date with the new TENtec developments mentioned above. The repertoire of standard reports in Business Objects was enhanced and several QlikSense applications were developed. Following its successful testing end 2015, Speedwell has become as of 1st January 2016, the standard tool to process administrative payment paperless. Moreover, following the request of INEA, ERCEA has delivered end of April 2016 a new release of Speedwell allowing the paperless processing of payments linked to selected commitments covered by the operational budget managed by the Agency. The latter is used in particular for activities of an administrative nature funded by the CEF operational budget lines. Besides, the Agency has tested on the 2016 financial year the use of Bluebell. By the end of the year it was however decided not to make a permanent use of that tool but rather to continue working with an improved set of Excel files.

In the GIS area, the Agency prepared map data for over 466 proposals from CEF-Transport and CEF-Energy Calls as well as fiche maps and overview maps summarizing the Call results. Moreover, 301 project fiches were created for the Call brochures using an automated tool developed in-house GIS service.

⁵⁶ Awaiting the reply of the beneficiary. Deadline is 20/1/2017.

⁵⁷ Personal or commercial sensible information was deleted



Following intense negotiations between OIB, the building owner, and other Commission's central services the *usufruit* contract to rent part of the 5th floor in the Rolin building (W-910) was signed by the Agency in December 2016 as well as the extension until 2020 of the currently rented spaces under the same *usufruit* conditions which will exempt the Agency from the real estate taxes (savings of approximately €400.000 per year). The 5th floor will host Programme Support, Coordination and Communication R1 Unit and the evaluation space. The extension was needed due to OIB's impossibility to host INEA in one of the Commission buildings.

The Agency's remote disaster recovery site (hosting redundant server infrastructure) was moved to a new location due to transformation works in the former hosting building. The operation took place in the middle of the year followed by extensive tests to verify the technical soundness of the configuration. Overall, several optimisations were executed in 2016 ranging from an update of the basic operating system to the optimisation of the storage and the teleworking infrastructure components. New videoconference facilities were deployed which contributed to savings on travel costs of staff and stakeholders.

