



2016

Annual Activity Report

**Directorate-General
for Mobility &
Transport**



Foreword

Introductory message by the Director General

This Annual Activity Report covers the activities of the Commission's Director-General for Mobility and Transport (DG MOVE) for 2016. The purpose of this report is to give an outline of the operations of the DG, its activities and resources and to help in understanding the different challenges that are faced.

Part 1 presents the policy dimension, showing key results and progress towards the achievements of general and specific objectives set in the Strategic Plan 2016-2020 and against the outputs set in the 2016 Management Plan.

Part 2 captures the operating dimension, giving the state of play as regards achievements in financial management, internal control as well as other organisation management domains.

Henrik Hololei

Director-General of DG MOVE

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THE DG IN BRIEF

Under the political guidance of the College of Commissioners, in particular Vice-Presidents Jyrki Katainen and Maroš Šefčovič and Commissioner Violeta Bulc, the Directorate-General for Mobility and Transport (DG MOVE) is in charge of developing transport policies for the European Union¹. Its remit is to ensure efficient and sustainable mobility within a single European transport area, to serve Europe's citizens and economy.

The Commission priority areas set out in President Juncker's Political Guidelines which are of particular relevance for DG MOVE are notably jobs, growth and investment, a connected digital single market, energy union and climate change policy, a deeper and fairer internal market and a stronger global actor.

DG MOVE develops strategic policies for the transport sector; it monitors the implementation of existing EU law and makes new legislative proposals; it encourages the exchange of best practices. Its work is accompanied by financial support programmes, particularly for research and innovation projects under Horizon 2020 and for co-financing investments in transport infrastructure under the Connecting Europe Facility (CEF). The DG promotes policies internationally and provides information to the public as well as to stakeholders.

DG MOVE is assisted in its work by the expert input from several European Agencies and two Joint Undertakings, which it oversees: the European Aviation Safety Agency (EASA), the European Maritime Safety Agency (EMSA), the European Railway Agency (ERA), Innovation and Networks Executive Agency (INEA), and the SESAR (Single European Sky ATM Research) Joint Undertaking and the Shift2Rail Joint Undertaking. DG MOVE has also built a strong partnership with EUROCONTROL² and is represented in the Management Board of the Fuel Cells and Hydrogen Joint Undertaking.

At the end of December 2016, DG MOVE had 412 staff in Brussels and shared administrative staff of 153 people with DG Energy (Please refer to Annex 2 for more details). The total payments made by DG MOVE represented EUR 423.78 million, while the committed amounts added up to EUR 400.21 million at year-end (see Annex 3 for more details).

With the reorganisation implemented in October 2016, DG MOVE introduced purely vertical and horizontal Directorates versus the previous hybrid structure, and as a result achieved a more streamlined and efficient structure, aligned workforce to political priorities and generated important synergies.

Further information on all our policies and more is available on our website:

http://ec.europa.eu/dgs/transport/index_en.htm.

¹ Transport is one of the European Union's common policies. It is governed by Title VI, Articles 90-100, of the Treaty on the Functioning of the European Union.

² EUROCONTROL, the European Organisation for the Safety of Air Navigation, is an intergovernmental organisation with 41 Member and 2 Comprehensive Agreement States.

EXECUTIVE SUMMARY

The Annual Activity Report is a management report of the Director-General of DG MOVE to the College of Commissioners. Annual Activity Reports are the main instrument of management accountability within the Commission and constitute 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 Treaties³.

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

DG MOVE policy achievements in 2016 helped to provide European citizens and businesses with competitive, sustainable, secure and safe transport services. Transport policy contributed to several of the Commission General objectives, reflecting five of the priorities set out in President Juncker's Political Guidelines, notably **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 and a stronger global actor**. Investments in modern infrastructure and in the digitalisation and decarbonisation of transport, together with an efficient regulatory framework, have a direct impact on the achievement of the 20/20/20 Commission targets for GHG emissions, renewable energy and energy efficiency as well as GDP growth and the target of 3% GDP in Research and Development. Transport employs more than 10 million people in the EU. It supports trade in goods and services within the EU and connects us to the rest of the world.

The specific objectives for DG MOVE to contribute to an efficient and effective EU transport policy, as formalised in DG MOVE's Strategic Plan 2016-2020 and the Management Plan 2016, include implementing an efficient, sustainable, safe and secure Single European Transport Area, ensuring the implementation of funding for the Trans-European Transport Network under the Connecting Europe Facility (CEF) and under the innovative financial instruments (EFSI) and funding for research and innovation activities in the transport area under the Horizon 2020 programme.

2016 has seen considerable achievements in transport policy with the adoption of the 4th Railway Package and the Ports Regulation, as well as the implementation of the CEF and of the European Fund for Strategic Investment (EFSI).

The key policy achievements for DG MOVE in 2016 included:

- Contributing to a resilient energy union with a forward-looking climate change policy, the Commission adopted a **Strategy on low-emission mobility** in July 2016. DG MOVE's initiatives and progresses in 2016 for the deployment of alternative fuels infrastructure, the digitalisation of transport and the promotion of combined transport all contributed to it.
- Another major achievement contributing towards reaching the goals set in the COP21 Paris Agreement was the conclusion of a **landmark agreement to reduce international aviation emissions** at the Assembly of the International Civil Aviation Organisation (ICAO) on 6 October 2016. The agreement allows for the creation of a Global Market-Based Measure through which airlines will offset the growth of their CO₂ emissions post-2020. The European Union delegation played an instrumental role in brokering this agreement.

³ Article 17(1) of the Treaty on European Union.

- The development of **intelligent transport system (ITS)** further accelerated with the adoption of the European strategy on Cooperative Intelligent Transport Systems, contributing to the Digital Single Market priority by paving the way towards road automation.
- Contributing to a deeper and fairer internal market, the **4th Railway Package** covering both the market and technical pillars was adopted by the co-legislator, as well as the **Ports Regulation**⁴ establishing a framework on market access to port services and financial transparency of ports.
- Progress in 2016 to further direct the transport policy towards the generation of investment, the stimulation of innovation and the transition towards sustainability through the provision of grants to projects under the **Connecting Europe Facility** have contributed to supporting the creation of jobs and growth.
- Likewise, the selection and implementation of research and innovation projects in transport under the **Horizon 2020 programme**, including Shift2Rail and SESAR, contributed to the decarbonisation and digitalisation of transport.
- Following-up on the **aviation strategy** adopted late 2015, the Commission started negotiations on comprehensive EU air transport agreements with Qatar, ASEAN and Turkey, negotiations started with China on a bilateral aviation safety agreement while preparatory work was done with Japan in view of starting the negotiations. Such initiatives contribute to reinforcing the competitiveness of European industry, favouring the creation of jobs and growth and making the EU a Stronger Global Actor.
- In 2016, DG MOVE made a sizeable contribution to the **Regulatory Fitness (REFIT) exercise**, contributing to simplifying existing legislation and facilitating implementation in the Member States. This included evaluations of road transport legislation and of the Combined Transport Directive, follow-up of the Fitness Check of Passenger Ship Safety Legislation and of a REFIT Evaluation of the Directive on Port Reception Facilities for ship generated waste and cargo residues, as well as the launch of a Fitness Check of maritime transport legislation.
- As highlighted in the Commission Work Programme 2016 and confirmed as priority in the CWP 2017, contributing to a deeper and fairer internal market, considerable preparatory work was achieved for the adoption of the **road initiatives** to remove legal and technical access barriers to the road transport market and strengthen the enforcement of applicable social legislation. Initiatives to promote road safety and renew progress towards the objective of halving road fatalities by 2020 included the publication of a report showing the rapid increase in cross-border exchange of information on road traffic offences.
- The **Mid-term review of the maritime transport strategy** was published.
- A Staff working document of 1 July 2016 looked at the progress in the implementation of the initiatives under the Commission's strategy for the transport area is set out in the White Paper on the Future of Transport from 2011.

These key measures, together with other initiatives further detailed in the sections below, contributed to implementing and improving the transport regulatory framework in the EU and internationally as well as promoting investments in transport infrastructure and research and innovation to reach DG MOVE's objectives of interconnected, sustainable, safe and secure transport services.

4 Adopted on 23 January 2017: Regulation of the European Parliament and of the Council establishing a framework for the provision of port services and common rules on the financial transparency of ports.

b) Key Performance Indicators (KPIs)

The specific objectives for DG MOVE set out in its Strategic Plan 2016-2020 include to **improve legislation in the area of transport and ensure its implementation**, to **ensure the effective implementation of funding for transport infrastructure under the Connecting Europe Facility and under the innovative financial instruments (EFSI)**, and to **ensure the effective implementation of funding for research and innovation activities in the transport area under Horizon 2020**. These specific objectives contribute to achieving several of the Commission General objectives, reflecting five of the priorities set out in President Juncker's Political Guidelines, notably **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 and a stronger global actor**.

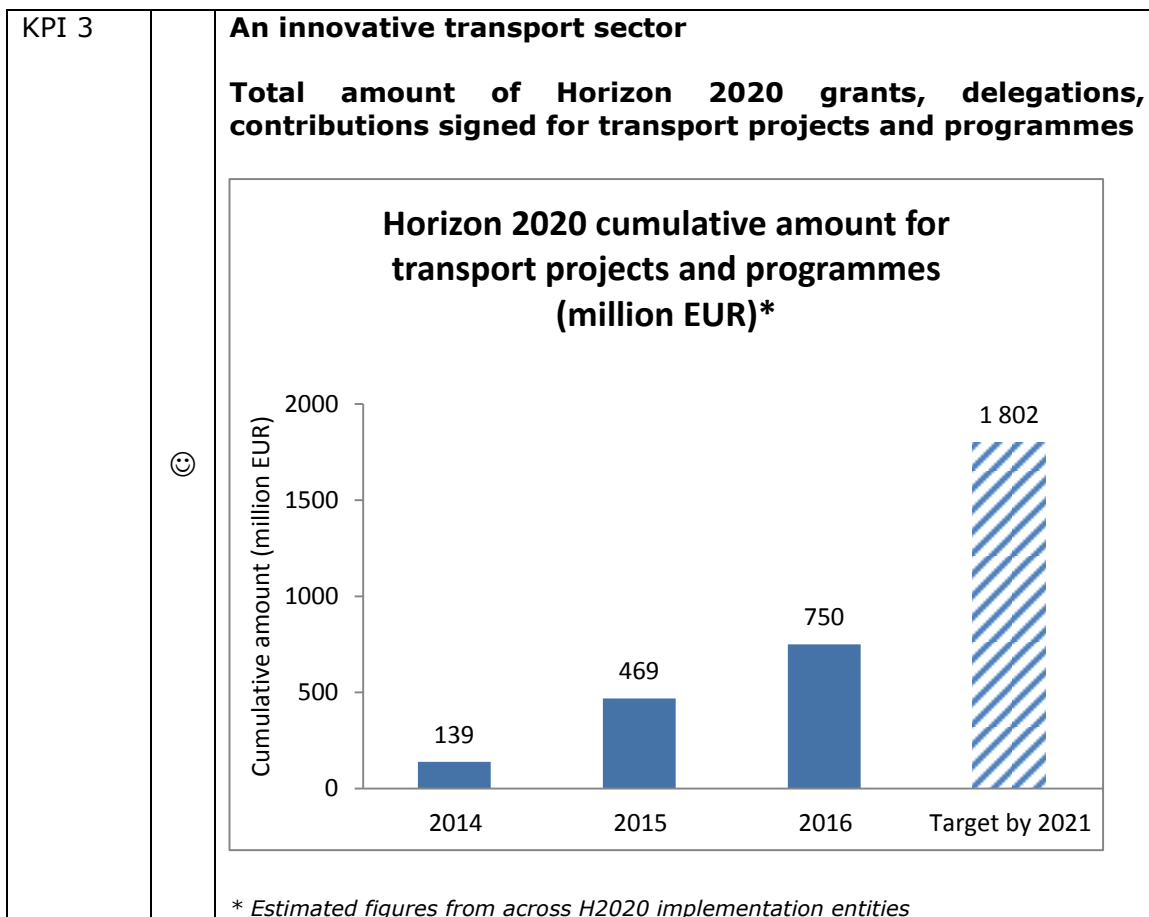
To illustrate the progress made towards achieving the specific objectives, the key performance indicators shown below were selected in the 2016-2020 Strategic Plan. The results indicate the good and sustained progress made in achieving the specific objectives.

The overall progress towards achieving the general objectives are illustrated by higher level Commission impact indicators, presented in annex to the Annual Activity Report.

It is important to note that the implementation of the Strategic Plan and the annual Management Plans (and in particular achieving objectives and seeing improvements in the indicators) does not only depend on the Commission. It is for the European Parliament and Council to decide on the Commission's proposals and then primarily for the Member States to implement them. Finally, external factors, such as energy price fluctuations or the general economic situation, can have a significant influence.

<p>KPI 1</p> <p style="text-align: center;">😊</p>	<p>An efficient, sustainable, safe and secure Single Transport Area</p> <div style="text-align: center;"> <p>Transposition rate in transport legislation (%)</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Transposition rate (%)</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>94,9</td> </tr> <tr> <td>2015</td> <td>99,3</td> </tr> <tr> <td>2016</td> <td>98,5</td> </tr> </tbody> </table> <p>99% Annual target*</p> </div> <p><i>* Annual target of 99% used by the Commission for the Single Market Scoreboard</i></p>	Year	Transposition rate (%)	2014	94,9	2015	99,3	2016	98,5
Year	Transposition rate (%)								
2014	94,9								
2015	99,3								
2016	98,5								

<p>KPI 2</p> <p style="text-align: center;">😊</p>	<p>A modern European transport infrastructure</p> <p>Total amount of CEF grants and contributions for transport projects and programmes</p> <div style="text-align: center;"> <p>CEF cumulative amount for transport and projects programmes (billion EUR)</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Cumulative amount (billion EUR)</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>0</td> </tr> <tr> <td>2015</td> <td>12,8</td> </tr> <tr> <td>2016</td> <td>19,4</td> </tr> <tr> <td>Target by 2021</td> <td>24,0</td> </tr> </tbody> </table> </div>	Year	Cumulative amount (billion EUR)	2014	0	2015	12,8	2016	19,4	Target by 2021	24,0
Year	Cumulative amount (billion EUR)										
2014	0										
2015	12,8										
2016	19,4										
Target by 2021	24,0										



Note: The graphs show three key performance indicators (KPIs) selected in DG MOVE'S Strategic Plan 2016-2020. These indicators are also shown among the indicators presented under each general and/or specific objective in the annex related to part 1 of the AAR. KPIs 1-3 illustrate the achievement of some of the most important policy objectives for DG MOVE.

The 3 KPIs have been selected in DG MOVE's Strategic Plan 2016-2020 to measure progress towards implementing each of the 3 Specific Objectives for DG MOVE.

The scope and number of these indicators were considerably reduced in the Strategic Plan 2016-2020 compared to the presentation in the Management Plans of previous years. This choice was made for the sake of simplification and in order to focus on the core activities for which DG MOVE is responsible. The indicators presented therefore do not pretend to measure the direct impact of EU transport policy. The monitoring and reporting on the policy objectives and indicators in the legal bases of the spending programmes previously included in the Management Plan is included each year in the Programme Statements in the Draft Budget.

As regards KPI 1 related to specific objective 1, in order to ensure an efficient, sustainable, safe and secure Single European Transport Area, DG MOVE puts strong emphasis on promoting the implementation and enforcement of EU law and the transport acquis by Member States. The KPI selected therefore focuses on the implementation of EU transport legislation in Member States. It shows a consistently high level of transposition close the 99% target of the Commission, despite a minor deviation in 2014.

As regards KPI 2 related to specific objective 2, DG MOVE ensures the implementation of funding for the Trans-European Network under the Connecting Europe Facility in close cooperation with INEA (for the grants part of the CEF). The indicator shows that we are on track to ensuring the implementation of the Connecting Europe Facility by the end of

the programme period.

As regards KPI 3 for specific objective 3, DG MOVE also ensures the implementation of funding for research and innovation activities in the transport area under Horizon 2020 in close cooperation with INEA. The indicator shows that also for Horizon 2020 we are on track to ensuring the implementation by the end of the programme period.

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) DG MOVE 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. DG MOVE has assessed the internal control systems during the reporting year and has concluded that the internal control standards are implemented and function as intended with the exception of ICS 5 (Objectives and Performance Indicators) and ICS 9 (Management Supervision), noted as partially effective. Please refer to section 2.1.3 for further details.

In addition, DG MOVE has systematically examined the available control results and indicators, including those aimed to supervise entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by internal auditors and the European Court of Auditors. These elements have been assessed to determine their impact on the management's assurance as regards the achievement of control objectives. Please refer to Section 2.1.2 for further details.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance albeit qualified by a reservation concerning the Seventh Framework Program (FP7).

d) Information to the Commissioner

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

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

DG MOVE policies aim to provide European citizens and businesses with competitive, sustainable, secure and safe transport services. The transport sector is a key element contributing to the Europe 2020 strategy. Adequate infrastructure, intelligent transport systems, measures to improve the environmental performance of the transport sector and the promotion of new technologies, inter alia through increased research, developments and demonstration, are important instruments to this effect, in particular for reaching the 20/20/20 targets for GHG emissions, renewable energy and energy efficiency and the targets of 3% of GDP in R&D.

Acknowledging the importance of reducing greenhouse gas emissions and of risks related to fossil fuel dependency in transport, the 2030 climate and energy policy framework reiterates the need for examining instruments and measures for a comprehensive and technology neutral approach for the promotion of emissions reduction and energy efficiency in transport, for electric transportation and for renewable energy sources in transport also after 2020.

Transport policy contributes to five of the Juncker Commission General Objectives, as indicated in DG MOVE's Strategic Plan for 2016-2020: 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** and a **stronger global actor**.

As also outlined in DG MOVE's Strategic Plan and Management Plan 2016, the specific objectives for the DG to contribute to an efficient and effective EU transport policy, include:

- An efficient, sustainable, safe and secure Single European Transport Area: improve regulation, ensure a high degree of implementation of EU legislation in the transport area and open and fair competition both in the EU and in relations with key partner countries (see KPI 1 showing the transposition rate of transport legislation);
- A modern European transport infrastructure: ensure the effective implementation of funding for the Trans-European Transport Network under the Connecting Europe Facility (CEF) and under innovative financial instruments (such as the EFSI) (see KPI 2 showing the total amount of CEF financing for transport infrastructure);
- An innovative transport sector: ensure the effective implementation of funding for research and innovation activities in the transport area under the Horizon 2020 programme (see KPI 3 showing Horizon 2020 financing for research and innovation in transport);

DG MOVE's achievement of its specific objectives has contributed in 2016 to the achievement of the general objectives pursued by the Commission and to several Commission impact indicators, as also reflected in Annex 12.

As an example, DG MOVE's effort to promote more sustainable and environmentally friendly mobility in 2016 with the follow-up to the European Strategy for Low-Emission Mobility as well as initiatives towards a better integration between modes, greater exploitation of non-road alternatives, improved management of traffic flows through intelligent transport services and extensive innovation for the deployment of alternative fuels contribute to a resilient Energy Union and a forward-looking climate-change policy,

notably through their direct influence on the reduction of the greenhouse gas emissions.

Likewise, by facilitating additional investment in transport infrastructure in 2016, DG MOVE contributed to a modern European transport infrastructure, allowing boosting growth and jobs and thus contributing to meeting the Commission-wide targets.

By promoting an innovative transport sector, and therefore contributing to increasing the percentage of EU GDP invested in R&D, DG MOVE's research and innovation activities in 2016 have also contributed to the decarbonisation and digitalisation of transport, as well as the creation of jobs, growth and investment.

DG MOVE is also actively involved in the European Semester exercise and provides input to the country reports and country specific recommendations (CSR) at all stages of the process. The focus of DG MOVE contributions is on the issues high on the Commission's agenda, i.e. barriers to investment and insufficient quality of transport infrastructure requiring higher investment. In 2016 seven countries received a CSR related to transport infrastructure investment and additional two on transport market functioning.

During 2016 no critical risks materialised which could have endangered the achievement of objectives. However, it is important to note that the implementation of the Strategic Plan and the annual Management Plans (and in particular achieving objectives and seeing improvements in the indicators) does not only depend on the Commission. It is for the European Parliament and Council to decide on the Commission's proposals and then primarily for the Member States to implement them. External factors, such as energy price fluctuations or the general economic situation, can also have a significant influence.

In addition to the Strategic Plan 2016-2020 and the annual Management Plan the framework used by DG MOVE for performance monitoring and reporting also includes other elements which provide information on the achievement of transport policy objectives. Indeed, the monitoring and reporting on the policy objectives and indicators in the legal bases of the spending programmes is done each year in the Programme Statements in the Draft Budget. Performance indicators for transport in the European Union can also be found in the EU Transport Scoreboard: http://ec.europa.eu/transport/facts-fundings/scoreboard/index_en.htm

1.1 Specific objective 1: Efficient, sustainable, safe and secure Single European Transport Area (KPI 1)

A high degree of implementation of EU transport legislation

An efficient and competitive transport system is an essential component of a well-functioning economy. Because the EU transport legislation aims at creating **an efficient, sustainable, safe and secure Single European Transport Area (Specific Objective 1 in the Strategic Plan 2016-2020)** action on the implementation of transport legislation contributes to jobs, growth and investment in the EU. Transport accounts for about 5% percent of gross value added and employs more than 10 million people in the EU.

The following key results in 2016 contributed to the implementation of this objective. The preparation of proposals for legislative measures and non-legislative actions in the various transport areas such as road, rail, maritime, inland waterways, ports and aviation as well as combined and multimodal transport operations contribute to five of the Commission General Objectives: a new boost for jobs and growth, a connected digital single market, a resilient Energy Union and forward-looking climate change policy, a deeper and fairer internal market, as well promoting the EU as a global actor.

In order to ensure transport systems which are fully integrated into efficient logistics

chains and mobility services to passengers, the right regulatory framework conditions are required and a better regulatory environment for private investors contribute to jobs, growth and investments in transport infrastructures. Specific focus was therefore put on **improving regulation and ensuring a high degree of implementation of EU legislation in the transport area**. The result indicators concerning the transposition rates, open non-communication cases and infringement cases open for more than three years allow to monitor transposition and implementation of existing EU law in the Member States and take the appropriate action to address incorrect transposition and practical implementation at national level (see annex 12).

As part of the **Better Regulation agenda**, a legal proposal to repeal three acts and a communication to declare three other acts as obsolete were prepared. Two Impact Assessments were scrutinized by the Commission's Regulatory Scrutiny Board (RSB), five more were prepared and three evaluations were completed in 2016 as Staff Working Documents.

**98.5% transposition
rate in transport
legislation in 2016**

DG MOVE's stock taking exercise on the **2011 White Paper on Transport** and assessing progress in the implementation of initiatives under the ten-year programme was finalised and presented changes in the context against which the policy objectives and approach had been formulated in 2011.

Promoting the implementation and enforcement of the EU transport acquis by Member States is essential to allow European citizens and businesses to benefit from the Commission's transport policies. With regards to **the implementation of the acquis**, over 200 proposals for Commission decisions concerning infringements were treated during 2016.

In **aviation**, several foreign investments in EU carriers were scrutinised on the basis of the rules laid down in Regulation 1008/2008. Other investigations covered traffic distribution as well as the granting of operating licence to air carriers, and the freedom to provide services. Regarding the Functional Airspace Blocks (FABs) there were still seven infringement procedures with justified slow progress. EASA also continued to carry out standardisation inspections in 46 European States to ensure the correct implementation of the EU aviation safety *acquis*.

DG MOVE also engaged intensively in monitoring the **transposition and correct application of EU rail law**, in particular in respect of Directive 2012/34/EU but also in relation to rail safety under Directive 2008/110/EC. The Commission referred four Member States to Court for non-communication of their national instruments for transposition.

Regarding **oversight of implementation in maritime transport**, several reports were sent to Council and Parliament, notably on the **insurance of shipowners for maritime claims** and **recognised ship survey and inspection organisations**. **Implementing measures were adopted** and, notably based on the European Maritime Safety Agency (EMSA)'s technical inspections, EU-pilots were monitored. Two infringements procedures were continued for bad application of maritime safety *acquis*.

In 2016 DG MOVE has also worked on measures that will be taken in 2017 or later and that will contribute to the implementation of the recommendations stemming from previous Special Reports issued by the Court of Auditors in 2015-2016, in particular the reports 1/2015 on Inland Waterways, 8/2016 on Rail Freight Transport and 23/2016 on Maritime Freight infrastructure. Key initiatives, further outlined in parts 1 and 2.1.2 of this report include in particular the adoption of the 4th Railway package, the development of the Rail Freight Corridors and the development of the eManifest project.

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

Transport represents almost a quarter of Europe's greenhouse gas emissions and is the main cause of air pollution in cities. Transport has great potential for contributing to reducing emissions and the shift towards low-emission mobility is accelerating.

The Commission adopted a **European Strategy for Low-Emission Mobility** on 20 July 2016 which coordinates all actions necessary for transport to positively contribute to a resilient Energy Union with a forward-looking climate change policy in line with the Paris Agreement⁵.

These actions include the implementation of Directive 2014/94/EU on **the deployment of alternative fuels infrastructure** for which significant progress was made for the adoption of European standards (such as for electric and hydrogen vehicles). This standardisation process is expected to continue in 2017 (CNG refuelling points for motor vehicles). Transport relevant aspects are also well-reflected in the EU strategy for liquefied natural gas and gas storage and in the Energy and Climate Winter Package⁶. Several achievements were also acknowledged in the area of **urban mobility**, with over 2400 towns and cities implementing sustainable mobility solutions which participated in the CIVITAS Forum and in the European Mobility Week.

The process of **digitalisation of transport** and the development of intelligent transport system (ITS), as further detailed below, also accelerated.

As regards **combined transport**, the REFIT evaluation was concluded and published as Staff Working Documents in April 2016 (SWD(2016)140 and SWD (2016)141). Following the evaluation, the impact assessment in view of a possible amendment of the Directive was launched.

Combined transport REFIT evaluation

Combined transport (CT) is a specific form of intermodal transport where the length of road legs is limited. Supporting CT helps to achieve multimodality needed to pursue a mobility that is sustainable, energy-efficient and respectful of the environment.

Directive 92/106/EEC on the establishment of common rules for certain types of combined transport of goods between Member States (Combined Transport Directive) was identified as one regulatory measure for which regulatory fitness would be checked through an evaluation.

The analysis showed that the CT operations in the EU have quadrupled during the last two decades, with a clear "jump" just after the implementation of the Combined Transport Directive, and with that helped to shift a considerable amount of freight away from road and thus helped to save a considerable amount of external costs over the last 24 years. The evaluation estimated that for example in 2011 the shift from road to CT transport brought along an annual saving of EUR 2.1 billion.

However, the evaluation shows that there is significant margin for further improving the effectiveness of the Directive, owing to the fact that some of its provisions are outdated, its language is sometimes obsolete and ambiguous, and its scope is limited. The shortcomings relate in particular to the fiscal incentives, the provisions relating to transport documents and the definition of CT.

⁵ Communication from the Commission to the European Parliament (EP), the Council, the European Economic and Social Committee (EESC) and the Committee of the Regions (CoR) "A European Strategy for Low-Emission Mobility" on 20 July 2016 (COM(2016) 501 final)

⁶ Communication from the Commission to the EP, the Council, the EESC and the CoR "on an EU strategy for liquefied natural gas and gas storage" adopted on 16 February 2016 (COM(2016) 49 final) + Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank, on "Clean Energy for all Europeans", COM(2016)860

Another major achievement of the year was the conclusion by the international community of a **landmark agreement to reduce international aviation emissions**. Reached on 6 October 2016 by the Assembly of the International Civil Aviation Organisation (ICAO), the agreement allows for the creation of a Global Market-Based Measure through which airlines will offset the growth of their CO2 emissions post-2020. It will contribute towards achieving the goals set in the COP21 Paris Agreement. The European Union delegation played an instrumental role in brokering this agreement.

Agreement on Global Market-Based Measure on aviation emissions

The 39th session of the Assembly of the International Civil Aviation Organisation (ICAO) agreed to establish a **Global Market-Based Measure to stabilise CO2 emissions from international aviation**. The EU played a key role in brokering this deal which can be seen as a first attempt to include international transport in the global efforts to reduce emissions.

The Global Market-Based Measure will require airlines to offset the growth of their CO2 emissions after 2020. To this end, airlines will buy "emission units" generated by projects reducing CO2 emissions in other sectors of the economy (e.g. renewable energies). In its first phase (2021-2026), 65 countries will participate on a voluntary basis. This will prevent a distortion of competition, and ensure the equal treatment of all operators. All EU Member States will join this phase. Participating countries include 18 out of the top 20 countries with the largest aviation activity (without India and Russia). In its second phase (post-2027) participation is mandatory; except for those exempted (i.e. Least Developed Countries, or those with small aviation activities).

It is expected that about 80% of worldwide emissions above 2020 levels will be offset by the scheme over the period 2021 to 2035. Following pressure in particular from the EU, the scheme contains a review clause, allowing for future improvements, including its environmental ambition. The EU will offer financial and technical assistance to facilitate capacity building in the least developed countries so that no country is left behind. All States will have monitoring and reporting obligations from 2019.

Over the next two years, ICAO will develop and agree on key implementing rules of the scheme, notably as regards transparency/ accounting rules and the quality of units to be used, which will be crucial to ensure that the scheme delivers on its climate objectives.

Progress was also achieved at the International Maritime Organisation (IMO) notably with the adoption of the mandatory global data collection system for fuel efficiency / greenhouse gas emissions of ships as well as the global marine fuel sulphur cap of 0.5% by 2020 and the establishment of NOx Emission Control Areas in the Baltic and North Seas. These advances contribute to **decarbonisation** and to the environmental sustainability of maritime transport.

A deeper and fairer internal market

A competitive transport system and fair working conditions in all modes of transport contribute to meeting the needs of business and people for integrated transport services, which is an essential driver for growth and the creation of attractive jobs.

Road Transport

The important and high profile **road sector initiatives** as set out in the Commission Work Programme (CWP) 2016 and confirmed as priority in CWP 2017 are well underway. Ex-Post evaluations were undertaken and a Staff Working Document, SWD (2016) 350 final, was adopted for the evaluations of Regulations 1071/2009 and 1072/2009. Open Public Consultations were carried out and Impact Assessment Studies were launched for all the initiatives.

Review of road transport legislation

During 2016, DG MOVE carried out a REFIT ex post evaluation of Regulation (EC) No 1071/2009 on access to the occupation of road transport operator and Regulation (EC) No 1072/2009 on access to the international road transport market, leading to the publication of the above Staff Working Document in November. This evaluation revealed that there is scope for improvement of the legislation, which should focus on clarification, simplification of the rules and better enforcement thereof. For example, because of the different implementation of the cabotage rules and of different interpretations of the conditions on establishment and of the commercial nature of passenger transport services, the Commission had to launch infringement procedures against 4 Member States.

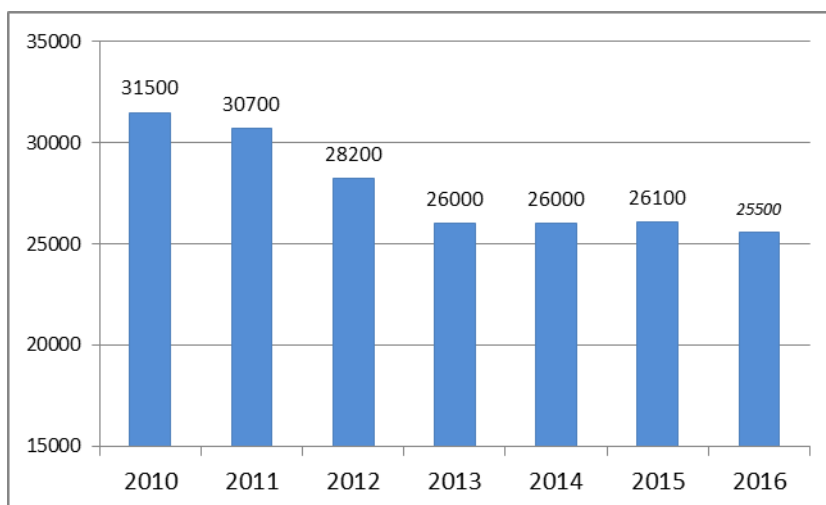
The evaluation took place in the context of the broader ongoing review of road transport legislation. In particular, the internal market legislation for the road transport sector, which was the subject of this evaluation, is closely linked with the social legislation for the sector, which is also being evaluated and reviewed. Whereas the internal market legislation regulates the extent to which international and national markets are open to foreign hauliers and the conditions for competition, the social rules should explain the rules applicable to drivers when participating in these competitive markets.

Implementing measures were adopted, notably related to the tachograph and the European Register of Road Transport Undertakings, a Council Decision was adopted on the European Agreement concerning the work of crews of vehicles engaged in international road transport (AETR).

Road safety

Road safety continues to be a major priority. The main indicator consists in the number of fatalities in road transport accidents in the EU, with the objective to halve road fatalities by 2020 (with a baseline of 31500 in 2010) and an overall objective to move close to zero fatalities on road by 2050 ("Vision Zero").

Safe and secure transport **Fatalities in road transport accidents**



Target: Max. 15 750 by 2020 (EU28), i.e. 50% reduction from 2010

Following two years of stagnation, 2016 marks the return of a positive downwards trend showing a drop of 2% in the number of fatalities recorded across the EU reduction and over the last six years, road fatalities have been cut by 19%⁷. It is clear that the 50% reduction target will be hard to reach: the Commission however will redouble its efforts. There is no simple single factor explaining the slowdown in downward trend. Higher interaction between unprotected and motorised road users in cities; increase of traffic during milder winters in Europe; less resources to traffic enforcement, road maintenances and vehicles following the economic crisis and the appearance of new trends in driver's behaviour, such as distraction mainly by smart phones may all have been contributing factors.

The Commission adopted in November 2016 a report to the European Parliament and the Council (COM (2016) 744) on the application of Directive (EU) 2015/413 facilitating **cross-border exchange of information on road-safety-related traffic offences**, showing the effectiveness of the Directive in contributing to increased safety on the European roads. Directive 2006/126/EC on **driving licences** was amended by Commission Directive (EU) 2016/1106, including an important update of the codes on cardiovascular diseases. The review of Directive 2003/59/EC on the **initial qualification and periodic training of professional drivers**, continued in 2016 with an impact assessment finalised in July 2016 and a proposal adopted in January 2017⁸.

Example of EU added value

The Report on **cross-border exchange of information on road traffic** and the accompanying evaluation of Directive (EU) 2015/413⁹ show that the EU rules have had a positive impact on tackling road traffic offences committed abroad: number of investigated offences committed by non-residents increased by four times to approximately 2 million between 2013 and 2015 in the Member States which have implemented the rules. Member States can today identify EU drivers who commit traffic offences abroad through a rapid and secure exchange of vehicle registration data without generating unnecessary administrative burden. However, the system is not yet used to its full potential: in 2015, approximately half of the detected road traffic offences committed by non-residents were not investigated, while additional road-safety-related offences could be included in the scope of the Directive.

Road safety is of course addressed not only by legislative actions at EU level but also by **Commission activities for awareness-raising**, information exchanges and spreading of best practices. Tools for this include the European Road Safety Observatory, the European Road Safety Charter and a High Level Group on Road Safety for exchange of best practices among Member States. Dedicated events like the Excellence in Road Safety Awards 2016 on 20 May 2016 or the European Day without a Road Death on 21 September 2016 were also organised. The Commission has also been active on global level, notably within the framework of the United Nations Decade of Action on Road safety.

Aviation

The **follow-up of the Aviation Strategy for Europe** (COM(2015) 598 final) adopted on 7 December 2015 on the challenges and opportunities for improving the competitiveness

⁷ Figures for 2016 are based on estimations and subject to revisions. Figures for fatalities in road transport accidents in 2015 (tentatively indicated as 25 500 at the beginning of 2015) were corrected to 26 100 at the end of 2016.

⁸ Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Directive 2003/59/EC on the initial qualification and periodic training of drivers of certain road vehicles for the carriage of goods or passengers and Directive 2006/126/EC on driving licences, COM/2017/047 final - 2017/015 (COD).

⁹ COM (2016)744 of 29.11.2016 and SWD(2016)355 of 16.11.2016.

of the EU Aviation sector continued in 2016, as further detailed below.

As a follow-up to the Aviation Strategy, DG MOVE conducted consultations on the Commission's interpretative guidelines on existing provisions on **Ownership & Control of EU carriers and Public Service Obligations** and work started in view of the evaluations of the performance of the Airport Charges Directive (2009/12/EC) and of the performance of the Air Service Regulation.

In 2016, no progress was made towards the adoption of the Commission's 2011 Slot proposal because of issues related to Gibraltar. For the same reason, the Single European Sky (SES) 2+ proposal has remained at an unfortunate standstill.

Regarding the **Single European Sky (SES)**, positive developments nevertheless took place in various areas such as the implementation of the Performance Scheme and the network functions with a view to improve the overall efficiency of the Air Traffic Management (ATM) network.

With regard to the performance scheme, monitoring activities started in 2016 for the second reference period, which runs from 2015 to 2019. Revised plans submitted by FABEC and Blue Med FAB were assessed by the Commission, assisted by the Performance Review Body (PRB); the adoption of Commission decisions in this area is expected in early 2017.

At the 2016 World ATM Congress, in Madrid, the Commission delivered for the first time the "SES Awards" aiming at rewarding projects that have contributed the most to the achievement of the Union's Single European Sky giving visibility to projects that delivered concrete results on the SES goals in terms of performance, better and more efficient rules, and innovative solutions.

Aviation Safety

The Commission's proposal for **revised common safety rules for civil aviation and a new mandate for the European Aviation Safety Agency (EASA)**¹⁰, including the first ever EU-wide rules for civil drones to fly safely in European airspace, was examined by the co-legislators through the ordinary legislative procedure. The Council expressed its views in a General Approach on 1 December and the competent parliamentary committee adopted its report on 10 November. An agreement on the proposal at first reading could be possible during 2017.

The **EU Air Safety List**, which reflects the list of air carriers banned from operating to the EU, was updated twice in 2016.

Other important activities carried out in 2016 by the Commission in conjunction with EASA, touched upon Remotely Piloted Aircraft Systems (RPAS)/Drones, cybersecurity and implementation of the Germanwings Task Force actions.

Rail

In 2016 the legislator adopted **the 4th railway package**, covering both the market and the technical pillars¹¹. This is an important achievement which took a number of years. The market pillar of the Fourth Railway Package, modifying Directive 2012/34/EU and Regulation (EC) 1370/2007 and opening European domestic passenger markets for open

¹⁰ Regulation (EC) No 216/2008.

¹¹ OJ L 352 and L 354 of 23.12.2016 : Directive (EU) 2016/2370 amending Directive 2012/34/EU, Regulation (EU) 2016/2338 amending Regulation (EC) No 1370/2007, Regulation (EU) 2016/2337 repealing Regulation (EEC) No 1192/69; OJ L 138 of 26 May 2016, pp 1-149 : Regulation (EU) 2016/796 repealing Regulation (EC) No 881/2004, Directive (EU) 2016/797 and Directive (EU) 2016/798.

access competition as of 2020, will (gradually) allow for the completion of an EU Single Market in rail services. The technical pillar of the 4th railway package further strengthens the framework of common technical standards across the EU rail network, supporting the development of uniform rail products and cross-border rail services.

In the framework of Directive 2012/34/EU establishing a **Single European Rail Area**, several implementing acts were adopted, including on framework agreements, on (non-) compliance of cross-border agreements, on (non-) strategic importance of infrastructures and on creation/extension of two rail freight corridors.

In December 2016 the Commission adopted its **Fifth Report on monitoring development of the rail market**, which shows that EU legislation on rail encouraging competitiveness, interoperability and market opening, has led to a more efficient and customer-responsive industry.

Report on the monitoring development of the rail market

There has been a steady increase in passenger numbers and gradual opening of markets. Opening of the rail **freight market** in 2007 coincided with the economic crisis hitting freight transport services hard in all modes. Given that there has been a steady increase in the market share of competing rail freight operators almost in all Member States, it seems that the new entrants have coped relatively better with the challenges of the crisis. On average the market share of competing freight operators (15 % in 2006) had more than doubled by 2014 (32.5%).

Passenger market opening is at a less advance stage – international passenger services are open to competition since 2010, while open access domestic passenger services have to be fully liberalised by 2020. Consequently market shares of competitors in passenger markets are lower than in freight and were in 2014 well below 20 % in all Member States except in Poland and the United Kingdom. Out of 5 Member States (CZ, UK, ES, DE, AT) where the modal share of transport has improved the most over the last 5 years, 4 have liberalised whole or part of their passenger markets (CZ, UK, DE, AT).

Open access competition for passenger markets has developed in Austria, the Czech Republic, Germany, Italy, Slovakia, Sweden and the United Kingdom. Given that new entrants typically offer fewer services than incumbents, they must offer a combination of higher quality, better service timings and lower fares to be attractive. For instance, a number of studies suggest that new entrants in the UK generally offer lower fares than incumbents. In Italy, the fares of NTV (new entrant) were typically by 10-25% lower than the fares of Trenitalia (incumbent). As a result of open access competition, the number of passengers has grown on Italian high-speed services and this has led to a higher modal share for rail overall, while new managerial practices have been introduced in the sector. In Sweden, the introduction of services by MTR Express has led to a reduction in fares as the incumbent, SJ, has been forced to lower its fares and provide faster services to compete with MTR Express.¹²

Regarding **interoperability**, the European Railway Agency's (ERA) 2016 Railway System report shows significant progress in reducing the technical barriers (such as derogations and national rules) which hamper the operational efficiency of railways.

¹² <https://ec.europa.eu/transport/sites/transport/files/modes/rail/studies/doc/2016-04-price-quality-rail-pax-services-exec-summ.pdf> - Study on the prices and quality of rail passenger services. The Efficiency Impact of Open Access Competition in Rail Markets <http://www.itf-oecd.org/efficiency-impact-open-access-competition-rail-markets>

The Commission Regulation of the Control Command and Signalling subsystem (adopted on 27 May 2016) should bring stability to **European Train Control System (ETCS) specifications** for the next years, a key element in ensuring interoperability. The adoption of the Implementing Regulation of the **European Railway Traffic Management System (ERTMS) Deployment plan** strengthens commitment favouring a targeted deployment of a system that makes rail more interoperable, more efficient and more competitive.

Waterborne

The **Mid-term review of the maritime transport strategy** was published taking into account the results of the extensive consultation of stakeholders and Member States as well as the recommendations of two external studies.

Significant progress was achieved in the **implementation of the Commission's NAIADES II Action Programme** through the adoption of the Commission proposal for a Directive on the recognition of **professional qualifications** in inland navigation on 18 February, followed by a general approach agreement in Council in the framework of the first reading, and the adoption by Council and Parliament of Directive (EU) 2016/1629 laying down **technical requirements** for inland waterway vessels on 14 September.

Significant progress was also achieved on the **evaluation and simplification (REFIT)** of existing maritime safety and pollution prevention legislation. The Fitness Check of the **Passenger Ship Safety legislation** led to the adoption of three Commission proposals in June, amending the directives on passenger ship requirements, on surveys for ships in regular service and on passenger registration. A Council General Approach was achieved in December for the first two and a progress report for the third one. A Commission Evaluation report was published in March on a REFIT of the Directive on **Port Reception Facilities for ship generated waste and cargo residues** together with Interpretative Guidelines from the Commission for the interpretation of the Directive. In parallel work for the revision of this directive started with an impact assessment support study and extensive stakeholders' consultations through the European Sustainable Shipping Forum's Subgroup on Port Reception Facilities continued in 2016. A new comprehensive **Fitness Check of maritime transport safety and efficiency legislation** was launched covering five directives: Flag State responsibilities, Accident investigation, Port State control, Reporting formalities and vessel traffic monitoring. Regarding **training of seafarers** a REFIT evaluation of two related directives has also started.

A major milestone in the implementation of the strategy "Ports: an engine for growth" (COM(2013) 295) has been achieved with an agreement reached in trilogue subsequently endorsed by the positive vote in the European Parliament of the **Ports Regulation** establishing a framework on market access to port services and financial transparency of ports (COM/2013/0296 final - 2013/0157 (COD)). The Regulation will give European ports a boost by facilitating private investment, by encouraging a better use of public resources and more efficient port operations, while ensuring an adequate training of workers. The Ports Regulation, together with other measures at EU and national level, will be an important element in helping tackle some of the issues identified by the European Court of Auditors' Special Report No 23/2016 on maritime transport in the EU.

The **EU external representation** aspects were formalised with a number of Commission proposals for Council decisions in relation to the International Maritime Organisation (IMO) and the Paris Memorandum of Understanding on Port State Control.

Regarding **the European Maritime Safety Agency (EMSA)**, the mandate of the Agency was revised in September to strengthen its cooperation with the newly created European Border and Coast Guard Agency (Frontex) and the European Fisheries Control Agency regarding information sharing, maritime surveillance, capacity-building and joint operations to provide enhanced services to national authorities carrying out Coast guard functions. There was particular attention regarding EMSA's preparations of the multipurpose RPAS services for which significant resources were allocated to the Agency

for 2017-2020 and which will serve maritime surveillance, notably border surveillance in an initial period. This new EMSA service will therefore help to address the **migration** challenges the EU is facing.

A connected Digital Single Market

Digitalisation of transport and logistics is a main driver for more integrated, less burdensome, multi-modal transport services.

The process of **digitalisation of transport** and the development of intelligent transport system (ITS) further accelerated with the adoption of the European strategy on Cooperative Intelligent Transport Systems on 30 November 2016¹³. This includes the preparation of a delegated act on multimodal information services under Directive 2010/40/EU and the running of a programme support action for Intelligent Transport Services for Road (Datex II) which was launched in July 2016.

The **Digital Transport and Logistics Forum (DTLF)**, launched in 2015 in the framework of the Digital Single Market, analysed the level of digitalisation in the transport and logistics sector, barriers and possible solutions. DG MOVE in close cooperation with DG TAXUD and EMSA continued to work on the **eManifest project** harmonising the cargo information that is needed for both maritime and customs purposes and test its submission to a European Maritime Single Window (EMSW) prototype developed by EMSA. 14 Member States and representatives from the shipping industry, ports, PCSs and agents are participating in the project.

A Stronger Global Actor

In 2016, DG MOVE played an important role in **international transport relations**, contributing to the Commission policy priority of "EU as a stronger global actor".

On **relations with the EU's strategic partners**, after several negotiations the Transport chapter of the EU-Japan SPA was concluded. Regarding the EU-China Connectivity Platform, both parties reiterated their strong commitment to promote transparency and a level playing field based on market rules and international norms and proposed the setting up of an Expert group on financing cooperation to develop new financing mechanisms.

For **neighbourhood countries**, the year has seen increased cooperation. A ministerial meeting involving all neighbourhood partners took place in the margins of the TEN-T days in June. On that occasion, the indicative extension of the TEN-T core network to the EaP and Turkey was endorsed by Ministers and a delegated act to include the new maps into the TEN-T regulation already presented. In December, in the framework of the South East Transport Observatory (SEETO) ministerial meeting, a political agreement for setting up a Transport Community Treaty with the Western Balkans was reached with the aim of signing this Treaty in the course of 2017.

DG MOVE and ERA also maintained **technical dialogues on rail with third countries** (in particular the Gulf Cooperation Council, Japan, Iran, Brazil and the US), in order to exchange expertise and promote the use of European rules and technical specifications. On 25 April 2016 the Commission adopted a recommendation for a Council Decision authorising the opening of negotiations for a Convention on international through railway traffic (OSJD), leading to a Council Decision authorising the Commission to negotiate a Convention on international through railway traffic.

The December 2015 Aviation Strategy was accompanied by a comprehensive package of

¹³ Communication from the Commission to the EP, the Council, the EESC and the CoR "A European strategy on Cooperative Intelligent Transport Systems, a milestone towards cooperative, connected and automated mobility" on 30/11/2016 (COM (2016) 766 final)

proposals for new authorisations to negotiate EU-level **comprehensive air transport agreements with a number of key partners** including ASEAN, the six member states of the Gulf Cooperation Council, Turkey, China, Mexico and Armenia.

In 2016, the Council authorised the Commission to open comprehensive air transport negotiations with ASEAN, Qatar, Turkey, UAE and Armenia. Further progress was also made on negotiations on EU air transport agreements with Brazil, Azerbaijan and Tunisia.

As also mentioned above and as part of the ambitious external aviation policy associated with the "Aviation Strategy for Europe", proposals were tabled to negotiate **EU air safety agreements** with China and Japan to promote cooperation toward high levels of civil aviation safety and environmental compatibility, as well as to facilitate trade and investment relations for aeronautical products and services. During 2016, the Council authorised the Commission to open negotiations with China and Japan in view of concluding such **Bilateral Air Safety Agreements (BASA)**. Such air safety agreements with China and Japan seek to emulate the benefits that have been achieved from similar agreements with the United States of America, Canada and Brazil. A first round of constructive negotiations was held with China on 6-7 December, and in parallel the Commission services worked and met with their Japanese counterparts to advance preparations for the launch of formal negotiations in early 2017.

Extensive technical support was also provided to third countries and regions to assist them in the adoption and implementation of EU aviation requirements and standards, and also to EU industry to help them better position themselves in important international partner countries and regions.

People

Transport security

Following the attacks in Brussels in March 2016 activities in **land security** were high on the agenda of Commission policy list. A workshop was organised on the protection of public areas in transport such as stations and airport terminals with open access. In **aviation**, besides preparing an update for the common standards framework in respect of air cargo, the deployment of explosive detection technology and aircraft search towards the end of the year work focused upon the security of inbound flights and capacity building. During 2016 a one-stop-security agreement with Canada and Montenegro came into effect and further steps. **Maritime security** focused upon passenger related security issue in ferry and cruise ship traffic; for both aviation and maritime security the Commission intensified its dialogue with international organisations and partner states continued and inspections in both fields contributed to ensuring a high level of compliance with EU legislation. **Air cargo security** recognition under the EU-U.S. aviation security cooperation was successfully prolonged for a further period of 2 years. DG MOVE also contributed to the work of the Commissioner in charge of the Security Union.

Passenger rights and social issues

A strong focus was put in 2016 on the clarification and implementation of passengers' rights in all transport modes. **Interpretative guidelines** were adopted in the field of air passenger rights¹⁴ in accordance with the Aviation Strategy. The revision of the Regulation on rail passenger rights is under preparation. Two reports were adopted on

¹⁴ Interpretative Guidelines on Regulation (EC) No 261/2004 of the European Parliament and of the Council establishing common rules on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights and on Council Regulation (EC) No 2027/97 on air carrier liability in the event of accidents as amended by Regulation (EC) No 889/2002 of the European Parliament and of the Council (OJ C214, 15.6.2016, p.5)

the application of waterborne passenger rights¹⁵ and bus and coach passenger rights¹⁶, respectively. As part of these efforts, a new communication campaign, focussed on social media has started 5 infringements and 6 EU-pilots have been dealt with.

In the field of coordination of social issues, which contributes to a fairer and deeper internal market and social fairness in implementing structural reforms, a collaborative conference on "women in transport" was organised with the main transport stakeholders represented. The issue of women in transport was again presented at the TTE Council and also at the G7 Transport Meeting. On the issue of skills needed to work in the transport sector, a study on making the EU transport sector attractive to future generations started. Ongoing initiatives related to employment conditions are presented under each of the modes of transport concerned.

Finally, steps have been taken to prepare the initiative Move2learn/Learn2Move in 2017. This initiative will allow school classes and individual 16 to 19 year old pupils of the ERASMUS e-Twinning programme to discover Europe and make their own first hand experiences, taking into account the sustainability of the transport mode.

¹⁵ Report on the application of Regulation (EC) No 1177/2010 concerning the rights of passengers when travelling by sea and inland waterway (COM(2016) 274 final)

¹⁶ Report on the application of Regulation (EC) No 181/2011 concerning the rights of passengers in bus and coach transport (COM(2016)619 final)

1.2 Specific Objective 2: CEF Transport – Financing of transport infrastructure (KPI 2)

Investments in a truly European, smart and resource-efficient transport network

In order to achieve fully-functioning TEN-T Core Network Corridors, additional investments are needed for bridging missing links, removing bottlenecks and accompanying the necessary transition to resource-efficient and sustainable mobility. EU Ministers for Transport provided renewed political impetus for the delivery of the TEN-T core network by 2030 with the adoption of the Rotterdam Declaration at the 2016 TEN-T Days.

In a situation of underinvestment and lack of suitable financing, a European solution is required. The investment plan for Europe and the CEF as well as the mobilisation of other financing sources provide a combined solution. Investment in transport contributes to the creation of jobs in the construction and services fields, but also in the new fields of digitalisation and innovation. The **International Monetary Fund (IMF)** estimates that 1% of increase in spending on conventional infrastructure leads to 1.5 percentage points in GDP increase over four years.

Making the best use of funding and financing possibilities

The implementation of the **Connecting Europe Facility (CEF)** continues at full speed. On 5 August 2016, the Commission adopted its Decision establishing the list of proposals selected for receiving EU financial assistance following the second calls for proposals (2015 CEF call). To date, following the 2014 and 2015 CEF – Transport calls, EU financial support has been granted to 452 projects for an amount of EUR 19.4 billion, about 80% of the CEF budget.

CEF grants total amount by the end of 2016:
EUR 19.4 billion for 452 projects
(80% of CEF budget)

The first results of the projects financed are now starting to show, as demonstrated in the box below.

CEF result indicators

CEF-funded infrastructure projects are often of a large scale and take years to get off the ground. Therefore, for many of the indicators tracked in the CEF programme statement, first results from completed projects were recorded in 2016, with the numbers expected to increase exponentially during the remaining years of the programme period. Performance is tracked by INEA, which attributes the results (e.g. bottlenecks removed), to the year in which the respective CEF-funded action was, or is expected to be, completed.

Examples of indicators:

- The number of removed bottlenecks and sections of increased capacity for all modes on core network corridors which have received funding from the CEF: Four bottlenecks were removed in 2016, with additional 11, 25 and 53 expected to be removed in 2017, 2018 and 2019, as more actions funded by the CEF will be completed each year.
- The number of supply points for alternative fuels for vehicles using the TEN-T core network for road transport in the EU-28: The first nine supply points were completed in 2016. This will be followed by additional 361 in 2017, 272 in 2018 and 475 in 2019.

The quick absorption of CEF funds can be explained by the fact that the funds are centrally managed by the Commission, through regular competitive calls, accompanied by a range of communication activities at EU and Member States level. Moreover, the deadline set for 31 December 2016 for Cohesion Member States to absorb their national allocations under the cohesion envelope provided a strong incentive for them to take up most of their allocations before national compartments are to be pooled into a common envelope for all Cohesion Member States.

Examples of EU added value and results of the projects financed under the CEF are presented in the box below.

CEF Projects

Like in previous years, the delivery of the TEN-T focused in 2016 on cross-border projects, as well as major bottlenecks and interoperability. In this sense, the major cross-border projects made considerable progress, like Brenner Tunnel, Lyon-Torino, Y Basque. To highlight some other major projects - or projects of a smaller size but still with high added value - that saw considerable progress in 2016, the following could be noted:

Rail Baltic: progress has been made as regards the implementation of the major rail missing link in Eastern Europe – the Rail Baltic. With significant amounts already awarded to the project from CEF (733M EUR of funding has been allocated to the Baltic States and 488M EUR to Poland), preparatory studies are currently ongoing and construction works will be started in 2018-2019 to completed by 2025 in the three Baltic States and the connection with Warsaw to be fully functional before 2030. A very significant step forward was made in 2016 with defining the procurement processes and governance of the Joint Venture – the RB Rail SA – company set up by the three Baltic States to implement the project.

Central Railway Line: TEN-T and CEF are not only about large projects. The first CEF rail project to be completed (July 2016) was the improvement of safety on the Central Railway Line (2014-PL-TMC-0207-W) which was realised under the Safe and Secure Infrastructure priority. It consisted of elimination of two level crossings with local roads located on the railway line being part of the Baltic-Adriatic Core Network Corridor in Central Poland. Implementation of the Action has contributed to improving safety and eliminating bottlenecks and allowed for the speed increase to 200 km/h on the given sections of the line. This project is a perfect example how a relatively small action (total value: 4.1m EUR, CEF grant 3.5m EUR) can contribute to the achievement of TEN-T objectives.

On 28 September 2016, the first call for proposal to support synergy actions between the transport and energy sector was launched for a total budget of €40 million. On 13 October 2016, the Commission launched a third CEF – Transport call for proposals with an overall envelope of EUR 1.94 billion.

DG MOVE ensures the implementation of funding for the Trans-European Network under the Connecting Europe Facility in close cooperation with INEA (for the grants part of the CEF). MOVE is responsible for setting out the CEF funding policy, notably the preparation and adoption of the CEF Work Programmes (funding decisions) establishing inter alia the indicative budget, funding priorities, and eligibility, selection and award criteria. INEA ensures the technical and financial management of the CEF grants, notably the preparation and launching of the calls for proposals, in close consultation with DG MOVE, as well as the negotiation, signing and management of the grant agreements with beneficiaries. With regard to the evaluation and selection of proposals, this is organised in two phases: an assessment by external experts organised by INEA in coordination and with participation of DG MOVE, followed by an internal phase, led by DG MOVE in association with concerned DGs. The list of selected proposals is adopted by the

Commission following consultation of the CEF coordination committee. Both the CEF Work Programme decisions and selection decisions are submitted to the European Parliament under its right of scrutiny. INEA also ensures the effective financial and technical management of the legacies of the TEN-T and Marco Polo programmes.

DG MOVE considers that INEA executed the tasks under its responsibility in 2016 efficiently and effectively. In this respect, DG MOVE and overall the INEA Steering Committee approved the INEA 2016 Annual Activity Report including the related Declaration of Assurance.

Regarding CEF Financial Instruments, the Commission increased its cooperation with the European Investment Bank (EIB) to provide for the financing of projects of common interest and contribute to the Investment Plan for Europe. EFSI provides EUR 3.64 billion financing supporting 29 operations: 25 transport projects and 4 multi-sectors funds with an expected amount of 12.65 billion of total investments.

EFSI financing:
EUR 3.64 billion
25 transport projects

The Programme will be rolled out under the European Fund for Strategic Investments for a total amount of EUR 750 million, which is expected to mobilise EUR 3 billion of investments.

Finally on 22 December 2016, the CEF coordination committee approved the Multi-Annual Work programme providing for a EUR 1 billion call for proposals in early 2017 which aims at blending CEF – Transport grants with the Financial Instruments from the European Fund for Strategic Investments, National Promotional Banks or private sector finance. The objective of this blending call is to support economically viable projects using private finance and provide an EU grant to bridge the funding gap.

A large Programme Support Action (CEF financing, four lots) was awarded beginning 2016 on the following topics: Assessment of potential of maritime and inland ports and inland waterways and of related policy measures, including industrial policy measures, Towards Digital Inland Waterway Area and Digital Multimodal Nodes: waterborne digital services between maritime and inland ports, Good Navigation Status, and Innovation facilitation for inland waterway operations.

Conclusions on effective waterway infrastructure rehabilitation and maintenance on the Danube and its navigable tributaries were agreed by the Danube Ministers Meeting at the TEN-T Days in Rotterdam on 20 June 2016. At the same occasion, in the Ministerial Declaration on the implementation of the TEN-T, the importance of developing inland navigation and promoting the use of inland waterways by tackling key bottlenecks on the TEN-T core network corridors, providing support for the greening of the fleet and fostering the deployment of River Information Services (RIS), was underlined.

EFSI Projects

2016 was the first full year of the implementation of the European Fund for Strategic Investment (EFSI), which saw a wide range of projects supported, including the following:

The Accessibility Ports Infrastructure project (Spain) consists of a framework loan to fund rail and road access investments in state-owned ports in Spain through a State Fund - "PAF" (Port Accessibility Fund). The project will help to improve land connectivity in key ports all located in the TEN-T Network. The operation will be a natural continuation of the extensive support provided by the EIB to the development of this seaport network over the last years.

The Riga Transport Company project consists of the purchase of 20 new low-floor tram units to operate in the city of Riga, and modernization of tramway infrastructure and depot. It also involves the purchase of 10 hydrogen fuel cell buses and 10 Hytrolleys with HFC range extenders, as well as the construction of a hydrogen fuel production and

storage facility. This project up-scaled a previous project supported by the CEF, which show potential for complementarity between CEF and EFSI and could be replicated in the future under the so called blending approach.

Under the CEF Debt Instrument, the Commission and the EIB have set a new financial instrument, the Green Shipping Guarantee, which in cooperation with private financing institutions will support green investments in the shipping sector in Europe. The initiative will focus in the pilot phase on France, The Netherlands and the Nordic countries, and it is expected to be rolled out under the European Funds for Strategic Investments at pan-European level. A first transaction with a French commercial bank has been approved at the end of 2016.

The European Coordinators presented their **second Work Plans** which provide a more detailed analysis of progress made, investment needs and the critical issues to complete the corridors. They also transmitted their **second Common Progress Report** to the Commission, the European Parliament and the Council. Significant progress was also made with the presentation of the first Detailed Implementation Plan for Motorways of the Sea and the adoption of the Implementing Regulation of the ERTMS Deployment Plan. This is a major development as it strengthens commitment to a targeted deployment of a system that makes rail more interoperable, more efficient and more competitive.

The European Coordinators actively contributed to stimulating cross-cutting issues such as decarbonisation, digitalisation, multi-modality and urban nodes with a view to accelerate the evolution of the transport network. Work also continued to improve the regulatory framework for attracting investments and for facilitating the realisation of infrastructure projects with the finalisation of a study, focusing in particular on cross-border infrastructure.

The adoption of two delegated acts **updating the TEN-T network** on the one hand and **defining the core and comprehensive networks with EU neighbouring countries** (Turkey, Eastern Partnership) also constitute important achievements.

1.3 Specific Objective 3: Research and innovation related to transport (KPI 3)

The implementation of the **Horizon 2020 Transport Work Programmes** for 2014/2015 and for 2016/2017 continued with success in 2016. In particular, EUR 140 million of new projects resulting from the 2015 Call kicked-off in 2016. Furthermore, the 2016 Call which was launched in October 2015 was successfully closed and by the end of 2016, the evaluation process was on track to completion, while the first 5 policy Coordination & Support Actions managed by DG MOVE were already selected and launched. The H2020 Research & Innovation Calls continue to make a significant contribution to a number of Commission priorities, in particular to the Energy Union, the Digital Single Market, as well as jobs, growth and investment.

Horizon 2020 grants by the end of 2016:

EUR 750 million for all calls up to WP 2014/15 (42% of total budget)

At this stage, no Horizon 2020 projects have provided final results yet, as work is very much in progress. More efforts were put on better monitoring, information and analysis processes for Horizon 2020 projects, via the ongoing Transport Research and Innovation Portal (TRIP) and the preparation of a future Transport Research and Innovation Monitoring and Information System (TRIMIS).

However, several projects carried out under **the EU 7th Framework Programme** have provided results in 2016, that feed into the EU transport policy-making process. These projects contribute to the safety and mobility of Vulnerable Road Users through ITS applications (VRUITS), e-Maritime services (e-Compliance) EU capabilities for ship safety inspections (INCASS) and inland waterways PLATINA II. The PLATINA coordination and support action to the **implementation of NAIADES II** was successfully concluded with a range of study deliverables which provide valuable input for the further implementation of NAIADES II.

Examples of EU added value and results of the projects financed under Horizon 2020 are presented in the box below.

Transport projects under Horizon 2020

The Horizon 2020 Transport Work Programme 2016/2017 is currently funding with EUR 4 million a landmark new project called **TRIMIS** (Transport Research & Innovation Monitoring and Information System). This is a new and intelligent tool currently under development with the support of the Joint Research Centre, aiming to improve the design, execution and implementation/deployment of transport Research & Innovation (R&I) in the EU. TRIMIS will compile, cluster and analyse thousands of Transport R&I projects from Europe and beyond; it will collect and analyse data, technological and social trends, R&I priorities, programmes, funding sources at EU, National Level and from the rest of the world; it will report in a transparent way the direction, results and gaps of European Research & Innovation, the rates of deployment of R&I products/solutions, as well as provide policy feedback and guidance for further R&I/policy action. In particular, TRIMIS will bear significant EU value added, serving multiple users and stakeholders at both EU and National Level, while significantly raising the efficiency of DG MOVE and the Commission as a whole.

SafetyCube is another EU value-added project funded by Horizon 2020, with a total cost of EUR 5.8m. The Project is currently developing an innovative road safety Decision Support System (DSS), which will enable policy-makers and stakeholders to select and implement the most appropriate strategies, measures and cost-effective approaches to reduce casualties of all road user types and all severities. The close involvement of road safety stakeholders at national and EU levels (and beyond) will enable the DSS to be focussed on the most appropriate policy-making procedures and ensure project outputs have global reach.

Innovation in ports is an area where the EU needs to follow developments and support with funding in order to preserve/improve competitiveness of EU ports, ensure seamless links with the logistics chain, and guide the agenda towards greener and better integrated ports. A port 'innovation contact group' and a dedicated call under Horizon2020 - 'Ports of the future' - were launched. An **integrated, comprehensive approach** related to port activities and their (urban) area is part of a bigger thinking launched in 2016 by the Committee of the Regions (i.e. "Regeneration of Port-Cities and Port-Areas" - COTER-VI-018 Opinion) and the European Parliament with the "Resolution of 22 November 2016 on unleashing the potential of waterborne passenger transport" (2015/2350(INI)).

As regards the harmonisation of **carbon footprint** methodologies for transport services, a co-ordination and support action 'LEARN' was launched. The action will establish a platform for networking and co-ordination of the various initiatives taking place, continue the work on an EU and possibly global standard, and explore conditions for an EU wide carbon footprint program.

DG MOVE ensures the implementation of funding for research and innovation activities in the transport area under Horizon 2020 in close cooperation with INEA. DG MOVE is responsible for setting the scope and expected impact of Horizon 2020 projects as parts of the Horizon 2020 transport work programmes. The work programmes are adopted after having achieved positive opinions by Member States. INEA organises the evaluations of project proposals via independent external evaluators according to the general rules of Horizon 2020. The external evaluators are required to check the general quality of the proposals as well as the extent to which the proposals meet the scope and expected impact of the particular call topics. A ranking list based on evaluation scores is then established by INEA and matched with the available budget to ensure that the best projects can be funded.

DG MOVE considers that INEA executed the tasks under its responsibility in 2016 efficiently and effectively. In this respect, DG MOVE and overall the INEA Steering Committee approved the INEA 2016 Annual Activity Report including the related Declaration of Assurance.

The **SESAR project** also continued achieving major milestones in 2016 with the timely completion of the SESAR 1 R&D Programme (2007-2016), the launch of a new series of projects under the SESAR 2020 programme (funded under Horizon 2020) and a second batch of SESAR deployment implementation projects.

The SESAR Joint Undertaking (SJU) concluded the renewal of its membership and launched the first projects under the SESAR 2020 work programme and the new H2020 environment. The first wave of industrial development projects will start after grants worth EUR 50 million were signed in December 2016. The SESAR deployment phase also recorded substantial results in 2016. The SDM set up a second batch of 138 implementing projects addressing the ATM functionalities of the Pilot Common Project leading to more than 200 projects under his coordination. These new projects were awarded grants under the 2015 CEF call for proposals for an amount of EUR 525 million, representing a total investment of almost EUR 2 billion to modernise the European ATM infrastructure based on SESAR solutions. A third call for proposals under the CEF was launched at the end of 2016, ensuring continued support to the SESAR deployment phase.

As for railway research, a key milestone in 2016 was the granting of financial and operational autonomy of **the Shift2Rail Joint Undertaking** in May 2016, followed by the start of work and a first Call on 27 projects, in September and October 2016 with a budget of approximately EUR 170 million.

The Joint Undertakings: driving research and innovation

Set up for the efficient execution of the EU research policy, the 'Joint Undertakings (JUs) make up an important part of the growing number of EU bodies involved in the implementation of EU policies and EU budget. At 10 years of age, SESAR is the oldest JU still in business. Shift2Rail is the very new one.

SESAR JU – Modernising Europe's skies

Established in 2004, SESAR is the technological pillar of the EU's Single European Sky initiative. It aims to enhance the performance of European ATM by doubling current capacity while improving safety by a factor of four, reducing departure delays by 30%, reducing airline costs by 40% and cutting air transport's impact on the environment by 10% per flight. The project does so by defining, developing and then deploying new technologies and procedures (solutions) that will improve the way Europe's airspace is managed.

As indicated in the European aviation strategy, SESAR's progress in delivering innovation is regarded as a key enabler for the growth of Europe's aviation industry. This innovation is now paying off as deployment of SESAR solutions gets underway across Europe, promising approximately €12.1 billion worth of performance gains for the aviation industry alone. Passengers will, for an average trip taken in Europe, see their door-to-door travel time cut by 20 minutes, their ticket cost cut by EUR 15, and fuel used cut by 10kg. SESAR also supports Europe's role as a world leader in aviation, since the solutions are globally interoperable and contribute to the harmonisation efforts of the International Civil Aviation Organization.

In 2016, the SESAR JU launched SESAR 2020, the next wave of research and innovation activities. With a budget of EUR 1.6 billion, SESAR 2020 will continue to modernise Europe's skies, focusing on solutions that allow greater automation and digitisation, while tackling emerging challenges such as the integration of drones and cyber security.

The 2016 call for proposals earmarked a total amount of EUR 400 million for SES-SESAR implementation.

Shift2Rail: boosting the European rail industry

The newest of the Joint Undertakings, Shift2Rail (S2R) was established in June 2014 with a total budget of EUR 920 million to reach three ambitious targets: cut railway transport life-cycle costs by 50%, double railway capacity and increase reliability by 50%. It awarded its first grants in the rail transport sector, amounting to EUR 167 million, over 36 months - co-funded up to EUR 88 million through the Horizon 2020 programme.

The Shift2Rail Joint Undertaking has achieved its operational autonomy in May 2016.

2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

This section answers to the question *how* the achievements described in the previous section were delivered by the DG. 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-General. The reports produced are:

- the reports by AOSDs;
- the reports from Authorising Officers in other Directorates-General managing budget appropriations in cross-delegation;
- the reports on control results from entrusted entities in indirect management as well as the result of the Commission supervisory controls on the activities of these bodies;
- the contribution of the Internal Control Coordinator, including the results of internal control monitoring at the Directorate-General level;
- the reports of the ex-post audit;
- the limited conclusion of the internal auditor on the state of control and the observations and recommendations reported by the Internal Audit Service (IAS);
- the observations and the recommendations reported by the European Court of Auditors (ECA).

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

Section 2.1. reports the control results and other relevant elements that support management's assurance. It is structured into (2.1.1.) Control results, (2.1.2.) Audit observations and recommendations, (2.1.3.) Assessment of the effectiveness of the internal control system, and resulting in (2.1.4.) Conclusions as regards assurance.

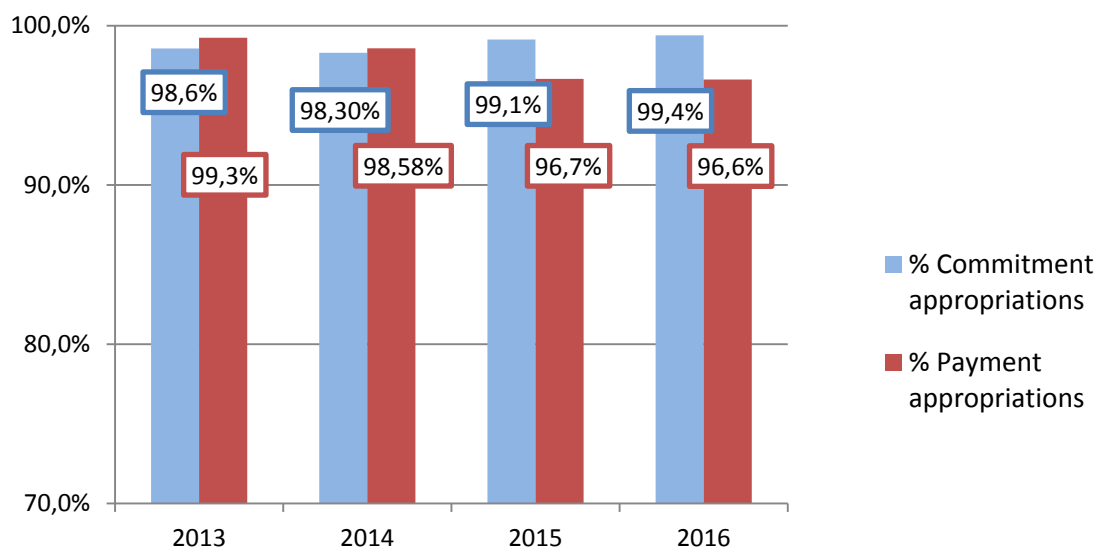
2.1.1.1 Control results

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives¹⁷. The DG's assurance building and materiality criteria are outlined in the AAR Annex 4. Annex 5 outlines the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the control systems.

2.1.1.1. Overview of the 2016 budgetary execution

The total payments of DG MOVE in 2016 amount to EUR 423.8 million, the vast majority being operational as the administrative part only accounts for 2.86%.

The following chart shows the execution of DG MOVE's appropriations¹⁸ over time. In 2016 DG MOVE absorbed 99.4% of the commitment appropriations and 96.6% of the payment appropriations.

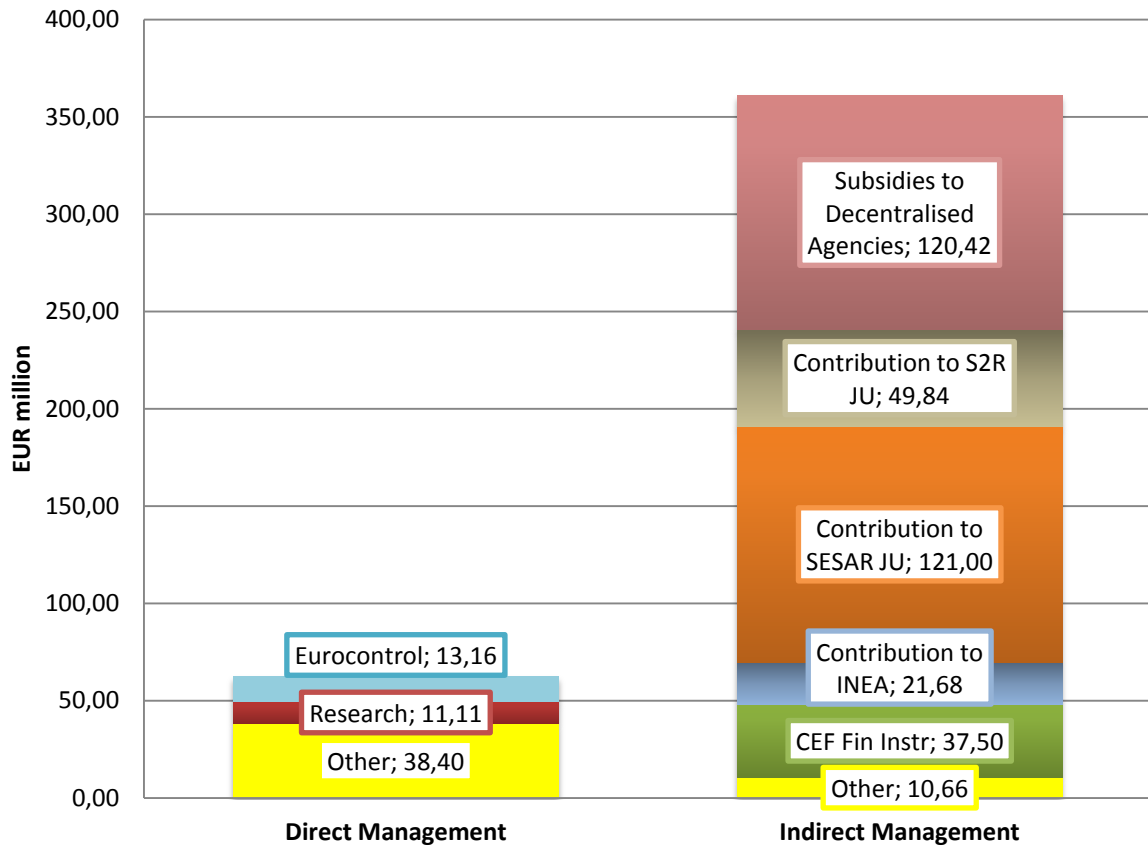


DG MOVE's programmes and activities are implemented under direct management (14.8%) and indirect management (85.2%), with an overview provided in the two charts hereunder.

¹⁷ 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).

¹⁸ This chart is based on C1 credits only (commitment appropriations voted in the current budget (C1), budget modifications and other current year commitment appropriations, modifications due to amending budgets and transfers (C1)), while tables 1 and 2 of Annex 3 include all authorised appropriations.

Allocation of the 2016 payments between direct and indirect management



Allocation of the payments made in 2016 per type of activity

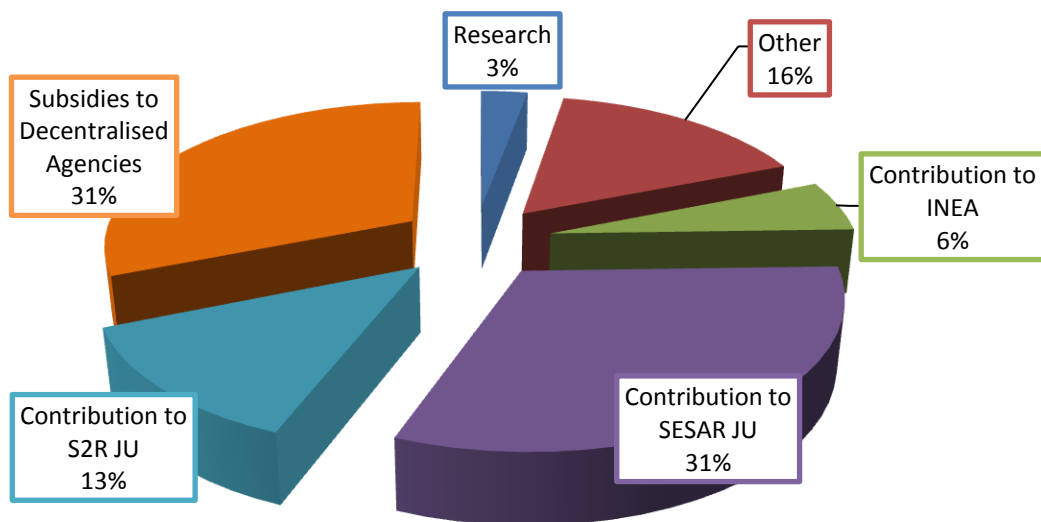


Table 2.1: Overview table: types of activities and main indicators (figures in EUR)

Risk-types / Activities	Grants / Procurements	Cross-sub-delegations to other DGs	Co-delegations to other DGs	Subsidies / funds to EE (EU Agency, EA, JU) Delegation Agreements with EE	Available ICO indicators	Independent info from IAS /ECA on assurance or on new/overdue critical recommendations available	Reservation	AAR Section
H2020 (pre-financing)	4,951,121				RER not yet applicable	N	N	2.1.1.2.1
FP7	2,105,550				RER: 2.91%	N	Y	2.1.1.2.1
EUROCONTROL	13,158,904				Estimated RER < 2%	N	N	2.1.1.2.1
Contribution to SESAR JU				121,001,500	Audit / supervision activities RER (FP7) < 2%	N	N	2.1.1.2.2
Contribution to S2R JU		253,894		49,843,521	Audit / supervision activities	N	N	2.1.1.2.2
Contribution to INEA				21,683,229	Audit / supervision activities / Mgnt decl.	N	N	2.1.1.2.2
Subsidies to Decentralised Agencies				120,416,121	Audit / supervision activities	N	N	2.1.1.2.2
Financial instruments				37,500,000	Audit / supervision activities / Mgnt decl.	N	N	2.1.1.2.2
Other operational expenditure	39,471,733	160,925	1,093,435		Estimated RER < 2%	N	N	(Partly under 2.1.2.2.1 and 2.1.1.2.2)
Administrative expenditure	2,570,181		9,569,110		Estimated RER < 2%	N	N	(Partly under 2.1.2.2.1 and 2.1.1.2.2)
Totals (coverage)	62,257,488	414,819	10,662,545	350,444,371				
AAR Annex 3	423,779,223							

The key points can be drawn from this overview table are that:

- Based on the main indicator results available, overall suitable controls are in place and work as intended;
- The reservation on the Seventh Framework Programme (FP7) overpayments is maintained as the residual error rate remains persistently above the 2% materiality threshold defined in Annex 4 "Materiality Criteria".

Section 2.1.5.2 addresses the FP7 reservation.

2.1.1.2. Control effectiveness as regards legality and regularity

DG MOVE 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.

Overall amounts at risk

As highlighted in table 2.2, for DG MOVE, the estimated overall amount at risk *at payment*¹⁹ for the 2016 payments made is EUR 5.46 million. This is the AOD's best, conservative estimation of the amount of *relevant expenditure*²⁰ during the year (EUR 414.21 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 corrections²¹ for those 2016 payments made are EUR 1.43 million. This is the amount of errors that the DG conservatively estimates to identify and correct from controls that it will implement in successive years.

The difference between those two amounts leads to the estimated overall amount at risk *at closure* of EUR 4.03 million.

¹⁹ In order to calculate the weighted average error rate (AER) for the total relevant expenditure in the reporting year, the detected, estimated or other equivalent error rates have been used.

²⁰ "Relevant expenditure" during the year = payments made, minus new pre-financing paid out, plus previous pre-financing cleared.

²¹ Based on the 7 years historic adjusted average of recovery orders, which is the best available indication of the corrective capacity of the ex-post control systems implemented by the DG over the past years. This % is not applicable to pre-financing, administrative expenditure and funds paid to Agencies.

Table 2.2 - Estimated overall amount at risk at closure (in EUR; full year)

Activities	Payments made	Minus new prefinancing	Plus cleared prefinancing	Relevant expenditure	Average error rate (%)		Estimated overall amount at risk at payment	Average recoveries and corrections (adjusted ARC; %)	Estimated future corrections	Estimated overall amount at risk at closure
	As per AAR Annex 3, table 2	As per ABAC DWH BO report on prefinancing	As per ABAC DWH BO report on prefinancing	= (1) - (2) + (3)	Detected	Estimated	= (4) x (5)	Based on 7Y-avg adjusted historic recovery orders (as per ABAC DWH BO report on corrective capacity) Not applicable to pre-financing, administrative expenditure and disbursements to Entrusted Entities	= (4) x (7)	= (6) - (8)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
H2020 (pre-financing)	4,951,121	4,951,121	0	0	0.00%	0	0	0	0	
FP7	2,105,550	0	5,178,471	7,284,021	5.03%	366,386	0.42%	30,628	335,758	
EUROCONTROL	13,158,904	2,804,059	3,925,358	14,280,203	0.50%	71,401	0.42%	60,047	11,354	
Contribution to SESAR JU (FP7)	75,000,000	0	0	75,000,000	6.07%	4,552,500	1.34%	1,005,000	3,547,500	
Contribution to SESAR JU (H2020)	46,001,500	0	0	46,001,500	0.00%	0	0.00%	0	0	
Contribution to S2R JU	50,097,416	0	0	50,097,416	0.00%	0	0.00%	0	0	
Contribution to INEA	21,683,229	21,683,229	17,954,906	17,954,906	0.00%	0	0.00%	0	0	
Subsidies to Decentralised Agencies	120,416,121	120,416,121	112,957,902	112,957,902	0.00%	0	0.00%	0	0	
Financial instruments	37,500,000	0	0	37,500,000	0.50%	187,500	0.42%	157,683	29,817	
Other operational expenditure	40,726,092	6,437,836	6,705,544	40,993,801	0.50%	204,969	0.42%	172,374	32,595	
Administrative expenditure	12,139,291	278,432	278,432	12,139,291	0.60%	72,836	0.00%	0	72,836	
Total	423,779,223	156,570,797	147,000,614	414,209,039		5,455,592		1,425,733	4,029,859	

Notes:

- Column (2) "Minus new pre-financing": New PF actually paid out by the DG itself during the FY (i.e. excluding any PF received as transfer from another DG);
- Column (3) "Plus cleared pre-financing": PF actually having been cleared during the FY, based on accepted invoices (i.e. their 'delta' in FY actuals, not their 'cut-off' based estimated 'consumption');
- Column (4) "Relevant expenditure": this is a concept that intentionally combines elements from the budgetary accounting and from the general ledger accounting for the purpose of equivalence with the ECA's scope of the EC funds with potential exposure to L&R errors (see the ECA's AR methodological Annex 1.1 point 7);
- Column (5):
 - o For the contribution paid by the DG to the Joint Undertakings signing grant agreements, the guidance provided by DG BUDG was to report their detected error rates. As regards the contribution paid to SESAR JU for its FP7 payments, the error rate of 6.07% corresponds thus to the multi-annual detected error rate reported in the JU's draft 2016 AAR. For H2020, there is no error rate yet, whether for SESAR JU or S2R JU, due to the early stage of the program lifecycle.
 - o The estimated error rate for administrative expenditure increased from 0.5% to 0.6% between the 2015 AAR and the 2016 AAR to reflect the error rate identified by the Court of Auditors in their 2015 Annual Report (Source: 2016/C 375/01 - page 281; § 9.16): "Overall audit evidence indicates that spending on 'Administration' is not affected by a material level of error. ...The estimated level of error present in the population is 0.6 %.";
- Column (7): "Average recoveries and corrections %":

The seven-year historic average of recovery orders corresponded to 3.7% (as per the standard ABAC DWH BO report on corrective capacity) for DG MOVE. However, the % has been adjusted conservatively to only take into account recoveries from the last seven years with a recovery context type "irregularity" and "error". This % has been further adjusted by deducting certain recoveries of pre-financing, which under today's rules should be considered as being of recovery context type "none" (instead of "irregularity"). Also note that this % is not applied to pre-financing, administrative expenditure and to payments made to Agencies, in general not subject to ex-post recoveries. Eventually, this % is the best available indication of the expected corrective capacity of the ex-post control systems implemented by the DG over the past years. It is important to highlight that this overall estimation is not to be confused with the actual corrections, integrated in the DG's calculation of the residual error rate. However, for the contribution paid by DG MOVE to SESAR JU, the correction rate used in this column corresponds to corrections contributing to the residual error rate of 1.34%, reported in the JU's draft 2016 AAR for its FP7 payments, as per DG BUDG recommendation.

Control effectiveness is discussed hereunder, making due consideration for the management mode.

Section 2.1.1.2.1 treats of control exerted over the two main programmes directly managed by DG MOVE (FP7 and H2020), for the payments to EUROCONTROL, as well as for the cross-sub-delegations given to other Commission's services;

Section 2.1.1.2.2 covers control exerted over the budget entrusted to other entities.

2.1.1.2.1. Direct Management

This section provides details on the control effectiveness for some of the expenditures made under direct management (the research programmes FP7 and H2020, contracts with EUROCONTROL) as well as for the cross-sub-delegations given to other Commission's services.

A) The Research Framework Programmes

The general control objective for the Seventh Research Framework Programme (FP7) is to ensure that the residual error rate, i.e. the level of errors which remain undetected and uncorrected, does not exceed 2% by the end of the management cycle. Indeed, because of its multi-annual nature, the effectiveness of the control strategy can only be fully measured and assessed in the final stages of the Programme, once the ex-post control strategy has been fully implemented and systematic errors have been detected and corrected.

As for Horizon 2020, the final control objective is to get a residual error rate as close as possible to 2%, without necessarily expecting it to get under 2%.

The question of being on track towards these control objectives is to be (re)assessed annually, in view of the results of the implementation of the ex-post audit strategies and taking into account both the frequency and importance of the errors found as well as a cost-benefit analysis of the effort needed to detect and correct them.

(i) FP7

The objective of transport research under FP7 is to develop safer, greener and smarter pan-European transport systems that will benefit all citizens, respect the environment, and increase the competitiveness of European industries in the global market.

In total, EUR 64.07 million were paid from the FP7 budget lines, which represents 15.12% of the total payments made in 2016 by DG MOVE. However, disbursements to FP7 projects only amounted to EUR 2.11 million. The most significant part of the payments concerned the contribution to SESAR JU (EUR 59.67 million). In addition, the operational expenditure related to FP7 accounted for EUR 1.25 million (e.g. reviewers, IT, studies) and the contribution to the administrative expenditure of S2R JU was in the amount EUR 1.01 million.

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

However, this AAR will only focus on stages 3 and 4, as the first two stages of the control system (call for proposals, their evaluation and the contracting phase) were completed prior to 2015 for this programme.

- **Stage three: Monitoring the execution of projects**

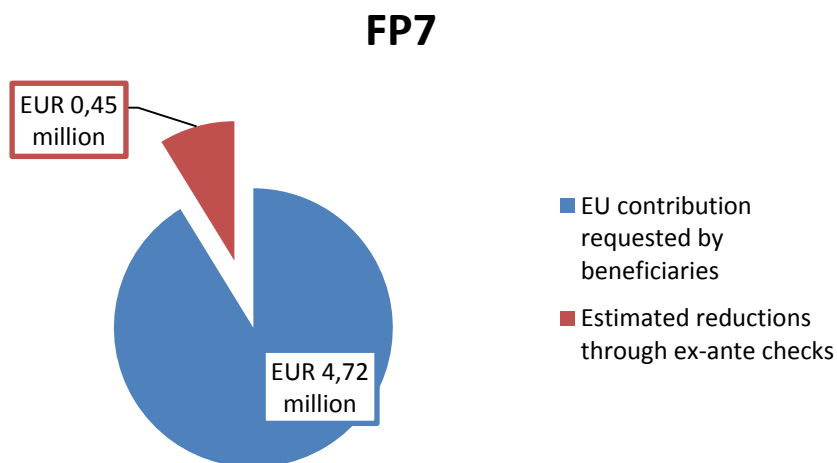
The third stage concerns the management of the project and the grant agreement. This stage comprises the technical monitoring and the ex-ante checks of participants' cost claims. The purpose of these ex-ante checks is to ensure that the transactions authorised are in compliance with the applicable rules.

In addition, every cost claim over EUR 375 000 must be accompanied by a certificate on the financial statement (CFS), given by a qualified auditor or a Certified Public Official. The Research family, as well as ECA, have identified that these certificates do not always identify all ineligible expenditure in the cost claim. To assess the impact of this weakness DG RTD carried out a study that showed that cost claims with a CFS had an average error rate 50% lower than those without. This shows that, while not perfect, these CFSs do have a significant positive effect.

Control effectiveness:

The chart below shows the reductions made to the EU contribution claimed by grant beneficiaries as a result of ex-ante checks. These checks have prevented the payment of around EUR 0.45 million, representing 9.6% of the requested EU contribution. The main errors detected in cost claims concern inconsistencies between the information supplied by grant beneficiaries (amount of costs, methods of calculation, periods, etc.) and that included in the audit certificate; audit certificates that are incomplete or missing, or not provided by a qualified auditor; arithmetical errors; and costs incurred outside the eligibility period or costs not covered by the legal basis.

Effectiveness of ex-ante checks: reductions to the requested EU contribution²²



²² Audit results implementation and budget capping not included.

- **Stage four: Ex-post controls and recoveries**

The fourth stage includes the ex-post audits as well as the recovery of any amounts found to have been paid in excess of the amount due.

↳ **Common ex-post audit strategy of the Research DGs**

Since 2007, the Research Directorates-General have adopted a common audit strategy intended to ensure the legality and regularity of expenditure on a multi-annual basis including detecting and correcting systematic errors. The audits examine only interim and final claims by beneficiaries. Transactions relating to pre-financing are not included in the population subject to audit.

Since 2012, a Common Representative audit Sample (CRS) has been introduced across the research family to reduce the audit burden on beneficiaries by reducing the number of repeat audits whilst continuing to provide a representative view of the implementation of the Research Framework Programmes (FP). The CRS is thus intended to estimate, via a representative sample of cost claims across the Research Family, the overall level of error in the Research FP, across all services involved in their management.

The CRS is complemented by risk-based audits, selected according to one or more risk criteria, aiming at detecting and correcting as many errors as possible, for instance by targeting the larger beneficiaries and identifying possibly fraudulent operators. These audits are also referred to as 'corrective' audits.

Since 2014, the Common Audit Service (CAS) in DG RTD has undertaken all audits for the DGs that fund research grants (amongst which DG MOVE).

Different indicators are calculated to provide a comprehensive view of legality and regularity:

- **Representative Error Rate:** This is the error rate derived solely from the results of audits on a representative sample of beneficiaries, extrapolated by a statistical method to the overall population (calculated for FP7 as a whole).
- **Residual Error Rate:** The residual error rate, on a multi-annual basis, is the extrapolated level of error remaining after corrections/recoveries undertaken by Commission services following the audits that have been made. The calculation of the residual error rate, as shown in **Annex 4**, is based on the following assumptions:
 - (1) all errors detected will be corrected;
 - (2) all non-audited expenditure subject to extension of audit findings is clean from systematic material errors so that the residual error rate can be estimated to be equal to the non-systematic error rate.

The residual error rate develops over time and depends on the assumptions set out above.

To derive assurance, DG MOVE is using the residual error rate, which is considered by the Research DGs as a reliable and acceptable indicator for the purposes for which it was intended, i.e. as legality and regularity indicator on the progress made, through its ex-post strategy, in dealing with errors over a multi-annual basis. However, it remains an estimate as long as not all cost claims have been received and not all cases of extension of audit findings have been fully implemented yet.

↩ Results of FP7 ex-post audits

In the case of FP7, the year 2016 was the eight year of implementation of the audit strategy.

Detailed data on DG MOVE FP7 audit coverage are shown in table 2.3:

Table 2.3 – FP7 audit coverage

	Planned cumulative period	Achieved cumulative period	Planned in 2016	Achieved in 2016 ²³
Number of closed audits	164	158	21	9
Total amount audited (EC share EUR)	n.a.	50 134 626	n.a.	5 181 775

The error rates resulting from the audit work on DG MOVE's FP7 projects are:

- **Common²⁴ Representative Error Rate (RepER):** Based on 398 cost statements for which the audit is completed (82% out of a sample of 486), this error rate is **5.03%**. The remaining cases are still subject to contradictory procedures with the beneficiaries; consequently, the Common Representative Error Rate may still develop.
- **Residual Error Rate (RER):** At this point in time, this error rate amounts to **2.91%**. As it is above the materiality threshold of 2%, **DG MOVE maintains the reservation for FP7²⁵**. It also has to be noted that the RER may still vary following the development of the Common Representative Error rate.

Table 2.4 – Calculation of the FP7 residual error rate

RepER:	-5.03% (DG RTD)
RepERsys:	-2.80% (DG RTD)
Total EU contribution (P)	EUR 200 598 769
Costs accepted by Financial officers (A)	EUR 50 134 626
Total non-audited participations of audited beneficiaries (E) ²⁶	EUR 61 605 444
Residual error rate: ResER=(((RepER*(P-A))-(RepERsys*E))/P	-2.91%

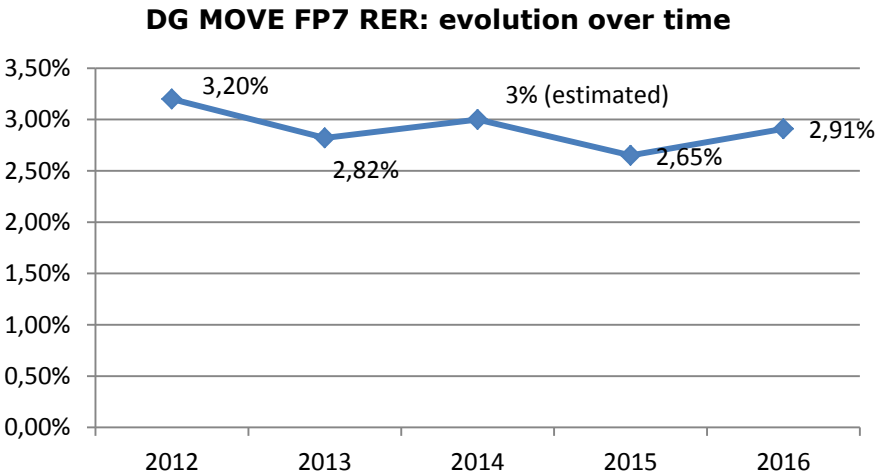
²³ An audit is considered finalised when the final audit report is sent to the Financial Management Unit for implementation.

²⁴ i.e. for the Research family.

²⁵ Developed in section 2.1.5.

²⁶ This amount excludes EU contribution of beneficiaries with ongoing extrapolation cases.

These results already include the partial results of the third and last Common Representative Audit Sample (launched in 2016). They are concordant with the general expectation that the Common Representative Error Rate resulting from audits of FP7 will be around 5% at the end of the programme.



Development of the error rates

DG MOVE and the Research services will continue their actions to prevent some causes of errors in the FP7 expenditure; however, it seems clear that it will not be possible to limit the residual error rate to the target of maximum 2% applicable to FP7.

This programme is now in its final stage of implementation, with a decreasing number of open projects and decreasing amounts of payment. After the closure of the last Common Representative Audit Sample, no new information is expected relating to the Error Rates, and their financial impact on the yearly expenditure will be limited.

Nevertheless, the lessons learned from FP7 have been used in the development of Horizon 2020 programme's general framework.

In the Financial Statement accompanying the proposal for Horizon 2020, the Commission set out its analysis of the likely future trend of error rates. It stated that the simplifications introduced in Horizon 2020 could be expected to lower the representative error rate from 5% to 3.5%, with the Residual Error Rate being as close as possible to 2% (but without necessarily being below 2%). This analysis still holds true, as the simplifications proposed were generally accepted.

However, some elements have been introduced in the legislation that will increase the risks in the programme. Firstly, there is the target for an increased participation of Small and Medium- Sized Enterprises (SMEs). As was noted in the 2012 AAR of DG RTD, SMEs have an error rate more than twice the rate for non-SMEs (6.61% as opposed to 3.07%). This is not entirely surprising, but the involvement of SMEs is vital to increasing innovation and boosting jobs in the EU. However, it does mean that an increased participation of SMEs increases risk.

Secondly, Horizon 2020 includes a commitment to involving new participants in the Programme. However, new participants have an error rate nearly three times as high as recurrent participants (8.32% as opposed to 2.94%). New participants, though a positive element for the European research landscape, increase risk.

Furthermore, during the discussions on the legislative package for Horizon 2020, provision was made for support to participants with large research infrastructures. This provision should support some of the major European research organisations, who might otherwise have had difficulty funding their advanced research infrastructure, but does insert an additional complication into the rules, and with it an increased risk. The limitation of additional remuneration to EUR 8000 per annum also brings an increased level of risk of error.

The Commission takes actions to try to mitigate the risk arising from these four new elements (guidance, training, ex-ante assessments for large infrastructures, limits on additional remuneration) but these only mitigate, not avoid, the risks.

Overall, the Research Family still believes that residual error rates should be reduced under Horizon 2020 as a result of the simplifications introduced in the legislation. Nevertheless, it underlines that the level of reduction in Horizon 2020 is subject to the effect of elements introduced during the legislation which, although perfectly understandable in terms of improving support for European research and innovation, may have the effect of increasing risks.

In addition, attempts in the past to achieve the 2% target caused a number of unexpected and/or undesirable side-effects. Among beneficiaries and the legislative authorities, the feeling became strong that the control burden has become excessive. This increases the risk of lowering the attractiveness of the Union's Research programme, thereby negatively affecting Union research and innovation.

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

Taking these elements in balance, and in the light of the results of the FP7 audit campaign, DG RTD considers that its overall control strategy ensures that trust, control and other policy objectives are kept in balance. Aiming to achieve a residual error rate of 2% at all costs is not a viable approach.

For this reason, Article 23 of the Horizon 2020 Regulation explicitly states that:

"The control system shall ensure an appropriate balance between trust and control, taking into account administrative and other costs of controls at all levels, so that the objectives of Horizon 2020 can be achieved and the most excellent researchers and the most innovative enterprises can be attracted to it".

It also states that audits of expenditure on indirect actions shall be carried out in a coherent manner *"to minimize the audit burden for participants"*.

Implementation of audit results

In total over the period 2010-2016, the results of the FP7 audits relate to 197 participations, out of which 5 were still in the contradictory procedure with the beneficiaries (and will most likely be in favour of the Commission). From the remaining 192 participations for which the results have been implemented, 91 are in favour of the EC (47.4%), 68 in favour of the beneficiary (35.4%) and 33 (17.2%) resulting in "zero" adjustments.

The table 2.5 below provides an overview of the adjustments in favour of the Commission. By the end of 2016, the adjustments concern 96 participations, corresponding to EUR 3.30 million in favour of the Commission (EUR 0.24 million for the year 2016). Out of the 96 participations with an audit adjustment in favour of the EC, 91 adjustments (95%) for EUR 2.55 million have already been implemented and 5 were in the contradictory procedure with the beneficiaries (as indicated above). About 68% of the adjustments implemented were recovered through offsetting from subsequent payments (EUR 1.2 million) and 32% through recovery orders (EUR 1.3 million). It has to be noted that it is not unexpected to have open cases at this stage as there might be 18 months before new declarations are received from beneficiaries.

Table 2.5 – Implementation of FP7 ex-post audit results in favour of the EC (2010-2016)

Results from external audits		Adjustments in contradictory procedure		Adjustments implemented	
Number	Funding adjustment (€)	Number	Funding adjustment (€)	Number	Funding adjustment (€)
96	- 3 304 785	5	- 758 123	91	-2 546 662

↪ **Implementation of extrapolated audit results**

The extrapolation process allows correcting systemic errors of a beneficiary detected by an audit in all his ongoing participations. These corrections stem from audits made by DG MOVE or other DGs in the research family where systematic errors were found.

As can be seen from the table 2.6, by the end of 2016, 101 such participations were found and the beneficiaries were asked to rectify the errors in DG MOVE projects and submit revised costs statements. On this basis, 47 participations were judged to be concerned by the systematic errors identified by DG MOVE or any of the other DGs. Systematic errors have been corrected for 26 participations, of which two in favour of the beneficiaries.

As indicated in Chapter 5 of the ECA 2015 Annual Report²⁷ in reply to Recommendation 4 issued by the Court, the Commission closely monitors the implementation of extrapolation cases. The implementation rate of FP7 recommendations was 79.2% at the end of 2016 compared to 58.5% in 2015. It has to be noted that it is not unexpected to have open cases at this stage as there might be 18 months before new declarations are received from beneficiaries.

²⁷ Chapter 5 of the ECA's annual report 2015 (OJ C 375, vol. 59, 13.10.2016)

Table 2.6 – Implementation of extrapolation of FP7 audit results (2010-2016)

Number of participations with expected systematic errors	Number of participations without systematic errors	Implemented cases				Number of participations to be implemented ²⁸
		In favour of EC		In favour beneficiary		
		Number	Value (EUR)	Number	Value (EUR)	
101	54	24	-348 808	2	1 327	21

Taking Tables 2.5 and 2.6 together shows that, by the end of 2016, EUR 2.90 million were recovered following ex-post audits of FP7 projects.

↩ **Liquidated damages**

Liquidated damages are due where a beneficiary has overstated expenses and has in consequence received unjustified EU contribution. Liquidated damages will only be applied where the unjustified contribution exceeds 2% of the total contribution claimed and accepted for the given period(s) ('de minimis' rule corresponding to the materiality level of the Court of Auditors).

It has to be noted that the formula to calculate the liquidated damages has changed in 2016 in accordance with the guidelines from the Common Support Center. The liquidated damages are as from 18/07/2016 capped to 10% of the unjustified EU contribution whereas before it used to correspond to 10% of the EU contribution paid. Due to this change, the liquidated damages claims from 2015 that had not yet been paid by the beneficiary were lowered in 2016.

By the end of 2016 DG MOVE identified liquidated damages for 59 cases under FP7:

- Debit notes were already issued for 47 cases for a total amount of EUR 399 790;
- Two more recovery orders will be issued in 2017;
- In nine other cases, the amounts due were below the threshold of EUR 200, so they did not have to be recovered.
- In one case, the liquidated damages claim was cancelled in 2016 (EUR 9 690) due to a further adjustment of the CAS audit result.

(ii) **H2020**

In 2016, five H2020 grant agreements were signed by DG MOVE for a total value of EUR 7.62 million (call: H2020-MG-2016-SINGLESTAGE-RTD-MOVE). The only payments made under the programme concern the pre-financing of these five grants, amounting to EUR 4.95 million.

The grant agreements managed by DG MOVE are part of the Transport Challenge "Smart, green and integrated transport", aimed at achieving a European transport system that is resilient, resource-efficient, climate- and environmentally-friendly, safe and seamless for the benefit of all citizens, the economy and society.

²⁸ Cases to be implemented are those for which the Commission has written to the beneficiaries requesting them to submit revised cost statements to correct the systematic issues detected.

- **Stage one: Programming, evaluation and selection of proposals**

- **A - Preparation, adoption and publication of the Annual Work Programme and Calls for proposals**

The overall control objective is to evaluate the project proposals in order to ensure scientific excellence (selection of the best projects) and the achievement of the operational objectives set out in the specific work programmes, as adopted by the Council and the Parliament.

The planning of the work programmes and of the calls is organized in common for the Research Family.

Key controls include the screening of proposals for eligibility, the choice of independent expert evaluators, the evaluation by a minimum of three evaluators, and a panel review for the ranking of proposals.

These are key checks to ensure the excellence of the science to be funded and the legality and regularity of operations, since a compliance deficiency in the selection process would affect the regularity of all the ensuing grants.

Thirteen proposals were received for the call H2020-MG-2016-SINGLESTAGE-RTD-MOVE, with a total EU contribution requested of EUR 19.83 million, while the available budget was EUR 10 million.

- **B - Selecting and awarding: Evaluation, ranking and selection of proposals**

The main control objective is to ensure that the most promising projects for meeting the policy objectives are among (a good balance of) the proposals selected.

Out of the 13 proposals received in response to the call, five were selected (covering three different topics: IT, Logistics and Urban), requesting in total an EU financial contribution of EUR 7.62 million.

For the grants that were signed in 2016, DG MOVE succeeded to respect, in 100% of the cases, the objective of a maximum of 5 months spent between the call's deadline and the moment the applicants are informed of the results of the evaluation.

- **Stage two: Contracting**

The second stage concerns the preparation and award of contracts. The overall objective of this stage is the translation of the retained scientific research proposals into a legally binding contract allowing for the management of both the scientific and financial aspects of the project.

In addition to the basic checks of the participants, risk based checks may be undertaken in order to prevent or mitigate fraud and other risks (operational capacity, financial capacity).

IT tools, business processes and some verification are organized at Research Family level. The new legal entities undergo the validation process in REA, no matter which is the implementing body finalizing the contract.

In DG MOVE, five grant agreements were signed in 2016 for H2020, for a total value of EUR 7.62 million. The time-to-grant was respected in 100% of the cases against the H2020 target of 8 months, with an average of 226 days.

- **Stage three: Monitoring the execution of projects**

The third stage covers the monitoring of the operational, financial and reporting aspects related to the projects and grant agreements. At the end of 2016, there had not yet been any intermediate payments made by DG MOVE, which means that ex-ante checks of participants' cost claims had not yet taken place

However, work is very much in progress on the beneficiaries' side and DG MOVE is putting efforts on better monitoring, information and analysis processes for these H2020 projects, via the ongoing Transport Research and Innovation Portal (TRIP) and the preparation of a future Transport Research and Innovation Monitoring and Information System (TRIMIS).

In 2016, EUR 4.95 million were paid for H2020 grants as pre-financing payments, representing 1.17% of the total payments made by DG MOVE. These pre-financing payments (still un-cleared thus), due to their nature, are considered as being free of error from legality and regularity perspective.

- **Stage four: Ex-post controls and recoveries**

The fourth stage includes the ex-post audits as well as the recovery of any amounts found to have been paid in excess of the amount due.

For Horizon 2020, the Common Audit Strategy was adopted on 22 March 2016 and covers all the implementing bodies.

The ex-post audit methodology is similar as for FP7 (see above under (i) FP7)).

This fourth stage is not yet applicable for DG MOVE given the early stage of the programme lifecycle. The first significant sampling for the Horizon 2020 audit campaigns was made at the end of 2016 by the CAS: a Common Representative Sample (CRS), a Common Risk Sample and an Additional Sample²⁹ 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 Activity Report.

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

The Financial statement accompanying the Commission's proposal to the legislative authority for the Horizon 2020 regulation states: *"The Commission considers therefore that, for research spending under Horizon 2020, a risk of error, on an annual basis, within a range between 2% and 5% is a realistic objective taking into account the costs of controls, the simplification measures proposed to reduce the complexity of rules and the related inherent risk associated to the reimbursement of costs of the research project. The ultimate aim for the residual level of error at the closure of the programmes after the financial impact of all audits, correction and recovery measures will have been taken into account is to achieve a level as close as possible to 2 %."*

Without other elements allowing an assessment of the level of errors, the detected error rate will be estimated, in a conservative estimate, to a range of 2% to 5%. The residual error rate cannot either be calculated following the formula set in Annex 4, as no information is yet available relating to the level of systemic errors. Taking into account

²⁹ This last sampling accommodates special needs of certain stakeholders with regard to audit coverage and selection method.

the FP7 experience, it is likely that with the usual correction mechanisms, this residual error rate will be close to 2%.

B) EUROCONTROL

In 2016, DG MOVE made payments totalling EUR 13.16 million to the European Organisation for the Safety of Air Navigation ("EUROCONTROL") for service contracts (under a Framework Contract) aiming at providing assistance to the Commission to the implementation of Single European Sky (SES) performance and charging schemes. The performance scheme is one of the elements of the Single European Sky initiative (next to the SESAR programme).

The Commission cooperates with EUROCONTROL, an intergovernmental organisation, since 2003 under the Memorandum for Cooperation related to support to the implementation of the SES. The Commission concluded a new Framework Agreement on the basis of Article 126.1(b) of the IR to the EU Financial Regulation (negotiated procedure with one single operator) on 19th December 2012. In other words, the procedure leading to the conclusion of the Framework Agreement was based on the monopoly situation of EUROCONTROL.

The support to the Commission in the implementation of the SES performance and charging schemes includes the support to the Performance Review Body (PRB). Until the end of 2016, the Performance Review Commission of EUROCONTROL was designated as PRB. In 2017, the set-up and operation of the PRB will be changed; however, EUROCONTROL will continue to provide support services. The main tasks under the contract are the annual monitoring of performance of air navigation services in 28 Member States plus Norway and Switzerland, support to the assessment of performance plans, support to the setting of Union-wide performance targets, the collection, validation and dissemination of performance data.

As there were delays in the selection of a new contractor, and considering the need for a transition, DG MOVE identified a critical continuity risk.

This risk was addressed and in December 2016, DG MOVE signed a new specific contract for a value of EUR 4.77 million to implement the Framework Agreement signed in December 2012. The duration of this contract will be from 01 January 2017 to 15 October 2017.

Out of the EUR 13.16 million paid (representing 3.11% of the total payments made by DG MOVE in 2016) EUR 2.80 million represented pre-financing for this new contract.

The control activities as regards EUROCONTROL performed in 2016 by DG MOVE comprised the following:

- Bi-monthly Coordination Group meeting;
- Steering Group meeting three times a year;
- Financial checks in accordance with the established financial circuits;
- Ensuring that operational results from this project are of good value and meet the objectives and that the related financial operations comply with regulatory and contractual provisions;
- Operational authorisation by AOSD.

Besides, fact validation of performance monitoring results with the Member States also provides an additional control layer.

No ex-post controls were performed for EUROCONTROL as these are service contracts and they are considered as low risk.

C) Cross-sub-delegations

As in previous years, DG MOVE has cross-sub-delegated a number of activities to different services within the Commission, in order to arrange the provision of certain operations more efficiently. Being a Commission service itself, the AOD of the cross-sub-delegated service is bound to implement the appropriations subject to the same rules, responsibilities and accountability arrangements as DG MOVE.

Besides, the cross-sub-delegation agreement requires the AOD of the concerned DGs to report on the use of these appropriations. In their reports, the AODs did not communicate any events, control results or issues which could have a material impact on assurance.

In 2016, DG MOVE gave cross-sub-delegations to DGs ECFIN, ENER, ESTAT, PMO, DIGIT, and DGT for the following amounts and purposes:

- To DG ECFIN: EUR 36.28 million of commitment appropriations for the Marguerite Fund were still outstanding by end 2015, with no payments in 2016.
- To DG ENER: the following actions were committed in 2016, but with no payments made yet:
 - EUR 257 905 to cover the CEF mid-term review;
 - EUR 5 million for the ELENA Facility instrument, managed by the EIB;
 - EUR 237 499 for the coordination of the renewable fuel stakeholder's strategy in the field of aviation.
- To ESTAT: EUR 349 591 were committed in 2016 for support activities to the European transport policy and passenger rights, with no payments in 2016.
- To PMO: EUR 254 288 were committed in 2016 to cover expert's missions related to the Connecting Europe Facility (CEF) and administrative expenditures related to the setting up of the S2R JU, of which EUR 253 894 were paid.
- To DG DIGIT: EUR 144 685 were committed in 2015 for CEF (hosting of IT tools), out of which EUR 144 594 were paid in 2016.
- To DG DGT: EUR 17 672 were committed in 2015 for the transport security, out of which EUR 16 331 were paid in 2016.

2.1.1.2.2. Indirect Management

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

- Co-delegations;
- The INEA Executive Agency;
- The European Investment Bank (for financial instruments);
- Joint Undertakings (SESAR JU and S2R JU) – also see Annex 6;
- Decentralised Agencies (EASA, EMSA, ERA) – also see Annex 8.

For all these cases, the DG's supervision arrangements are based on the principle of controlling "with" the relevant entity. For details, please refer to Annex 5, section on indirect management.

A) Co-delegations

The Commission may delegate powers concerning a given budget line to one or more authorising officers by delegation, i.e. various AODs are responsible for the same item of expenditure, but each one for a specific type of transaction. For MOVE, this is the case with PMO, HR and OP. Being Commission services themselves, these DGs are required to implement the appropriations subject to the same rules, responsibilities and accountability arrangements as DG MOVE. In 2016, payments amounting to EUR 10.66 million were made through co-delegations.

B) INEA

The Innovation & Networks Executive Agency (INEA) has four parent DGs (DG ENER, DG CNECT, DG RTD and DG MOVE, which is the leading DG).

INEA started its life as the TEN-T Executive Agency in 2006 and was initially responsible for implementing the TEN-T Programme and the TEN-T projects from the 2000-2006 and 2007-2013 financial perspectives.

Thanks to a new mandate, approved on 23 December 2013³⁰, the Agency became the Innovation and Networks Executive Agency as from 1 January 2014 and its lifetime has been extended to 31 December 2024.

With the new mandate, the Commission has delegated to INEA the task of executing the operational budget and performing tasks linked to the implementation of its delegated Union programmes in the field of transport, energy and telecommunications infrastructure – CEF (Connecting Europe Facility programme), and in the field of transport and energy research and innovation - H2020. In addition, the Agency is also managing the legacies of the TEN-T and Marco Polo programmes.

In 2016, DG MOVE contributed EUR 21.68 million to the Agency's running costs. INEA has justified the use of the subsidy and any unused appropriations will be recovered by the parent DG.

Supervision arrangements

The Commission Decision establishing INEA and the Commission Decision delegating powers to INEA set out the governance and supervision arrangements. These are complemented by a specific Memorandum of Understanding signed between the Parent DGs and INEA that contains reporting and supervision provisions and consists of a two-layer document:

- A top layer, updated on 15 February 2016, aiming to harmonise the modalities and procedures of the interaction between the parent DGs and INEA and that includes amongst other:

³⁰ Commission Implementing Decision 2013/801/EU

- the membership to the Steering Committee, chaired by the Director General of DG MOVE and meeting at least four times a year to ensure that the work of the Agency is in line with the its Annual Work Programme;
- the preparation of the Agency's annual budget;
- the definition of objectives and priorities in the Annual Work Programme of INEA (approved by the Commission);
- the requirement for INEA to report regularly on the performance of tasks (using the main Key Performance Indicators from INEA's Annual Work Programme), through;
 - Interim reporting (usually the first six months of the year);
 - The Annual Activity Reports;
- the establishment of security related procedures and processes, including Business Continuity Planning;
- A middle layer, with specific provisions for the implementation for H2020 (updated on 15 February 2016) and CEF (dating from 01 October 2014).

Within this context, meetings and exchanges of information between the parent DGs with INEA on Horizon 2020 and CEF as well as meetings between INEA and the relevant units in DG MOVE on H2020 and CEF take place regularly. DG MOVE also attends the Management meetings of INEA and vice-versa.

Additional sources of assurance

According to the draft Annual Activity Report of the Agency, all the KPIs have met their target and, in particular, the residual error rates are below 2% for the TEN-T and Marco Polo programmes managed by INEA. Besides, the Agency Director, in his capacity as AOD, has signed the declaration of assurance without reservations.

The Agency is also subject to audit by the Internal Audit Service of the Commission and by the European Court of Auditors and DG MOVE uses their reports as an element of the supervision.

- The Internal Audit Service:
 - Following their audit on 'Coordination with parent DGs in the context of the Strategic Planning and Programming process', the IAS concluded that INEA had 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.
 - Following the IAS final audit report on "The Preparedness of the Management and Control system for CEF and Horizon 2020", INEA developed an action plan, which was accepted by the IAS in February 2016. Out of the three recommendations, two were fully implemented and one (related to the reporting needs for the control strategy in line with the AAR instructions) is close to completion.
- The Court of Auditors (ECA):
 - ECA found the 2015 annual accounts for the administrative expenditure of

INEA legal and regular in all material aspects and that they presented fairly in all material respects the financial position of the Agency. The Court made one observation related to a technical budgetary issue (high level of carry-overs for committed appropriations for title III), to which the Agency provided reply and justification.

- As regards the four transactions selected for review by ECA within the framework of the DAS 2015 in the field of Mobility and Transport, three did not result into any comments, while one had an observation without financial impact. More details on the findings can be found in section 2.2.2.
- Finally, following the ECA audit in respect of reliability of the 2015 accounts, the auditors made recommendations in 2016 on the application of the recovery context in the financial transactions and on the completeness of the documentation of the accounting controls. INEA immediately took actions to implement the recommendations.

Conclusion

The regular supervision of INEA did not identify any particular events, issues or problems that could have a material impact on assurance or that would need to be included in this report. Overall DG MOVE considers that its supervision of INEA is effective and appropriate.

C) EIB for financial instruments

DG MOVE uses innovative financial instruments for leveraging EU investment and attracting new sources of funding for TEN-T infrastructure projects. The European Investment Bank (EIB) has been entrusted with the implementing tasks concerning the financial instruments (debt) under the Connecting Europe Facility Regulation (EU) 1316/2013.

On 22 July 2015 the Delegation Agreement³¹ for the Connecting Europe Facility Debt Instrument (CEF DI) was signed by the Commission and the EIB. This new agreement defined that as of January 2016 the projects in the portfolios of LGTT³² and PBI³³ pilot phase will be merged with the CEF DI.

The Commission adopted the Commission Implementing Decision C(2016)1950 of 4 July 2016 constituting the CEF Annual Work Programme 2016 on Financial Instruments, which constitutes a basis for financing projects by means of Financial Instruments and the

³¹ According to the latest Delegation Agreement for CEF DI, the EIB shall be responsible for managing the financial instruments in accordance with the Legal Basis, the Financial and Administrative Framework Agreement (FAFA) and the Delegation Agreement, in particular supporting projects aligned with the TEN-T policy eligible under the CEF regulation.

³² The Loan Guarantee for TEN-T projects (LGTT) was a financial instrument set up jointly by the Commission and the EIB to facilitate a greater private sector participation in the financing of TEN-T projects. This instrument was managed by the EIB by making annual drawdown requests.

³³ The Project Bond Initiative (PBI) was a joint initiative by the Commission and the EIB to stimulate capital market, including institutional investors, financing for large-scale infrastructure projects in transport (TEN-T), energy (TEN-E) and information and communication technology. The EIB has acted as appraisal agency for credit and issuing the debt enhancement facility to projects eligible under the Union guidelines.

delegation to the EIB. The total 2016 commitment appropriation for transport is EUR 66.35 million. The payments from CEF DI made in 2016 by DG MOVE were in the amount of EUR 37.5 million.

Governance and supervision arrangements

The governance and supervision requirements are defined in the Delegation Agreement for the CEF DI, which establishes the working arrangements with the EIB as well as the requirements in terms of financial and technical reporting.

The CEF Coordination Committee (Transport, Energy and ICT sectors) under the comitology procedure approves the annual allocation amount to the projects presented by the EIB as potentially suitable for the financial instruments.

Two joint Steering Committee meetings between the CEF DGs (DG MOVE, DG ENER, DG CNECT and DG ECFIN) and the EIB took place in 2016 where the pipeline of projects as well as certain reporting topics were discussed. In addition, in December 2016 the Steering Committee agreed that guidance on allocation between CEF and EFSI would be proposed by the EIB and discussed at the next Steering Committee meeting in order to address the issue of existing overlaps and complementarities in eligibility between the EFSI and CEF DI.

General supervision of the implementation of the financial instruments is also performed through the Financial Instruments Interservice Expert Group (FIIEG), chaired by DG ECFIN. DG ECFIN carries out the horizontal task of asset management supervision of the EIB by overseeing the investments made by EIB on the CEF portfolio with regard to investment standards and guidelines set out in the CEF DI Delegation Agreement. DG ECFIN also organises an annual review of the asset management with the operational DGs.

As part of the supervision and monitoring activities, DG MOVE is involved in regular contacts at working level, coordination meetings and additional exchange of information on the pipeline and the implementation of projects and management of assets entrusted to the EIB.

In February 2017, the EIB provided its management declaration on the EU funds engaged in the current financial instruments and the audited statements for 2016. The EIB gave reasonable assurance that in all material respects:

- the information set out in the Financial Statements was in accordance with the accounting principles and is complete and accurate;
- the funds contributed by or on behalf of the Commission had been used for the intended purposes;
- the EIB had applied a professional degree of care and diligence to the management of the Financial Instruments;
- the control systems and procedures put in place provided reasonable assurance as to the legality and regularity of the related financial operations.

As a result of the regular reporting provided by the EIB, the management declaration and audited financial statements and the regular contacts with the EIB, ECFIN and DG BUDG, DG MOVE is in a position to have an appropriate overview of the state of implementation of TEN-T projects by means of the financial instruments.

Conclusion

DG MOVE's supervision of the financial instruments did not identify particular issues that would need to be included in this report, which is the reason why DG MOVE considers that their supervision is effective and appropriate.

D) PPPs (Joint Undertakings (JU)³⁴): SESAR JU and S2R JU

DG MOVE is responsible for the SESAR Joint Undertaking, a public-private partnership developing operational and technical improvements for the modernisation of the European and global air traffic management system. In June 2014, the Council of Ministers of the European Union adopted³⁵ the extension of the SESAR JU for the period up to 31 December 2024. This decision was taken in recognition of the need to foster the research and innovation on ATM³⁶ beyond the organisation's original mandate of 2016, as well as in appreciation of the ability of SESAR JU to respond to evolving business needs and fast track technological and operational improvements in Europe's ATM system.

Furthermore, in 2014, DG MOVE, in collaboration with DG RTD, set up the Shift2Rail Joint Undertaking (S2R JU) – a new public-private partnership, established under Horizon 2020³⁷, to provide a platform for pooling together and better coordinating research and innovation efforts in the rail sector. The overall duration of the delegation is foreseen until 31 December 2024.

DG MOVE plays a key role in the monitoring of the JUs and relies on the JUs to achieve their policy objectives. DG MOVE is a member of the Administrative Board (SESAR JU)/Governing Board (S2R JU).

Arrangements are in place to ensure that all key proposals to these Boards are properly assessed and the Commission position agreed. Each JU is required to produce an Annual Activity Report and the JU Director signs a declaration of assurance in line with the one used in the Commission. In addition, regular reporting and extensive informal and formal contacts are also part of the interaction. The JUs are also required to inform the Commission without delay of any significant developments in the area of risk management, internal control and audit.

- ***The Single European Sky Air traffic management Research Joint Undertaking (SESAR JU)***

As part of the General Agreement signed between the Commission and SESAR JU in 2014, the Commission concluded a second Delegation Agreement with SESAR JU to undertake further research activities in the area of drones geo-fencing, in line with a request from the European Parliament (pilot action).

In 2016, DG MOVE made contributions of EUR 121 million to the SESAR JU (EUR 15.3 million from the TEN-T budget, EUR 59.7 million from the FP7 budget and EUR 46 million from the SESAR II budget).

Supervision

The governance and supervision requirements are defined in the SESAR JU Founding Regulation (Reg. (EC)219/2007) and in the General Agreement, which establishes detailed requirements in terms of financial and technical reporting and working

³⁴ ex-Art 185 initiatives art. 208 & 209 TFEU

³⁵ Council Regulation (EU) No 721/2014.

³⁶ ATM – Air Traffic Management

³⁷ The S2R JU was formally established on 7 July 2014 following the adoption by the Council of Regulation (EU) N° 642/2014.

arrangements.

The Commission, represented by DG MOVE, supervises the SESAR JU through its participation in the Administrative Board, the main governance body, and through a General Agreement (a delegation agreement). The Commission is a member of and chairs the SESAR JU Administrative Board. It therefore participates directly (in many cases with an effective veto right) in all the decisions affecting the budget, accounts, staff and progress of the JU. All documents related to these issues are evaluated by DG MOVE's Single Sky Unit, in cooperation with several other Commission services, in order to establish the Union's position in the Board.

Being an EU body, the SESAR JU is also audited by the IAS and by ECA. Moreover, audit issues are further coordinated through the Permanent Audit Panel assembling all the auditing bodies of the SESAR JU, to which DG MOVE also participates.

Furthermore, the Single Sky Unit at DG MOVE and the SESAR JU meet on a quarterly basis to discuss the progress of the technical programme. A representative of the Single Sky Unit also participates in the Programme Committee and the ATM Master Planning Committee, chaired by the JU's Executive Director. Staff from the Single Sky Unit regularly participates in working groups and evaluations (calls for tender, calls for proposals and staff selection) organised by the SESAR JU.

Between 2014 and 2016 the SESAR JU had to manage in parallel two programmes (SESAR 1 financed through FP7 and TEN-T and SESAR 2020, financed through Horizon 2020). These programmes came with different sets of rules and requirements. This overlap of the programmes, the resistance of programme participants to the new arrangements, long delays in the availability of new IT tools and the difficult working relations between the SJU and RTD's Common Support Centre have resulted in significant delays in the ramp up of the work in 2015. Throughout 2016, the reported difficulties in the transition towards the new H2020 framework and environment were eventually solved through effective coordination and cooperation between the SESAR JU, DG MOVE and H2020 coordinating services.

Statutory information received from the implementing body included their 2015 Annual Report, draft 2016 Annual Report, the Annual Work Programme and budget for 2016 and the single programming document for 2017 (including the multi-annual work-programme, the budget, staff allocation and annual work programme). This information was assessed as adequate for drawing assurance conclusions and was considered reliable. Assurance in this respect is drawn from an analysis of these reports as well as from the ECA report on the 2015 accounts of the SESAR JU, from the 2013 and 2014 Discharge Resolutions and from the relevant IAS reports, in particular the 2015 Audit Report on Operational Governance and Master Plan Update. DG MOVE attends every meeting of the SESAR JU Permanent Audit Panel and pays a particular attention to a strict follow-up of IAS and ECA recommendations.

ECA found the 2015 annual accounts of SESAR JU legal and regular in all material aspects and that they presented fairly in all material respects the financial position of the Agency. The Court made several comments: (1) on the budget implementation - lower-than-expected implementation rate for commitment and payment appropriations due to the delayed launch of the first Horizon 2020 calls (the related grant agreements could only be signed in early 2016) and the outstanding commitments under FP7 and TEN-T; and (2) the relatively high amount of accumulated in-kind contributions from Eurocontrol which have not been yet validated (EUR 152.4 million).

Conclusion

Through the above mentioned mechanisms and arrangements, DG MOVE is satisfied with the quality of the supervision and monitoring it is able to exercise as well as with the results achieved by the SESAR JU. The results of the audits carried out by the Court of Auditors, the IAS and the first mid-term evaluation support this conclusion.

- ***The Shift2Rail Joint Undertaking (S2R JU)***

The core objective of the Shift2 Rail Joint Undertaking is to enable a faster and cheaper transition to a more attractive, competitive, efficient, integrated and sustainable European rail system, thereby supporting the achievement of the Single European Railway Area and the competitiveness of the rail sector as a whole.

By bringing together the coordination, programming and execution of rail-related research and innovation activities under the responsibility of a single, dedicated structure, the Joint Undertaking aims to ensure continuity and avoid fragmentation of research and innovation efforts, helping to avoid costly overlaps and duplication.

S2R JU will also ensure a significantly higher leverage effect of EU funds by making EU funding (of up to EUR 450 million between 2014-2020) conditional to firm financial commitments from the rail industry (of at least EUR 470 million between 2014-2020). As a newly established Joint Undertaking under H2020, S2R JU's activities in the beginning of 2016 remained focused on completing the governance structure of S2R JU and fulfilling the remaining preparatory actions to lead to its financial autonomy in mid-2016.

S2R JU achieved its operational autonomy in May 2016, following the recruitment of a permanent Executive Director and the approval by the S2R Governing Board of the date on which the Joint Undertaking would have the capacity to implement its own budget (Decision N°13/2016). That Governing Board Decision was taken on the basis of a Readiness Assessment Report prepared by the Joint Undertaking in close cooperation with the Commission.

In accordance with the S2R Regulation, a delegation agreement, based on the Horizon 2020 model delegation agreement for Joint Undertakings, was signed with the Shift2Rail Joint Undertaking on 24 May 2016.

In order to provide a meaningful start to the S2R JU activities and in response to the requests of the S2R bodies (Governing Board, States Representatives Group and Scientific Committee), as well as following the completion of the selection of associated members, the first calls for proposals were successfully launched on 17 December 2015. This first batch of calls combined the available commitment appropriations from both the 2015 and the 2016 operational budget of the JU.

Supervision

As an EU PPP body under Article 209 FR, S2R JU functions under strict monitoring rules. The main bodies of the JU are the Governing Board, in charge of strategic decision-making, and the Executive Director, responsible for day-to-day management. Monitoring is performed through the supervision of the Governing Board (in which the Commission holds 50% of voting rights)

The position of the Commission in the Shift2Rail Governing Board is jointly established with other services (including DG RTD, DG BUDG, etc.). The supervision of the S2R JU is ensured through a regular involvement of the Commission in the usual planning of the

entity (budget request, calls' definition, Annual Work Plans) and the reporting organised through the Shift2Rail Governing Board, which is chaired by the Commission. Any decision taken by the Governing Board (incl. on budget, staff, etc.) is subject to the consultation of an inter-service group within the Commission.

DG MOVE and the JU's Executive Director began bi-weekly meetings in June 2016. A first meeting was organised at Directors' level also with the Shared Resource Directorate of DG MOVE to discuss general administrative issues. In addition, there has been a daily contact with the S2R JU and the desk officers in DG MOVE in the case of specific needs (preparation of key documents, meetings, etc.). Updates on administrative issues (incl. staff and budget) and the progress on the pipeline of projects are regularly presented to the Governing Board. All Shift2Rail reports and decisions are scrutinised by the Parent DGs and by DG MOVE in particular as lead-service. A set of key performance indicators has been identified and used in the JU's Annual Report.

During 2016, there have been still some key posts at the JU occupied by DG MOVE staff, not only until the operational autonomy, but beyond.

An audit is currently ongoing by the IAS on DG MOVE's monitoring arrangements and supervisory activities for Shift2Rail. In addition, Shift2Rail is subject to a standard ECA audit to ensure the adequacy of its control arrangements.

The Annual Activity Report for 2016 has been prepared by the S2R JU and made available to the Commission and the entire S2R Governing Board in March 2017 with a view to adopting them in June 2017.

Conclusion

DG MOVE's involvement in the governance of the entrusted entity through the Commission participation did not identify any events, issues or problems which could have a material impact on assurance. The statutory information was considered adequate for drawing assurance conclusions and, combined with the Commission's direct experience until May 2016, was considered reliable.

E) Decentralised Agencies: EASA, EMSA, ERA

DG MOVE is a parent DG for three decentralised agencies

- **EASA** - the European Aviation Safety Agency based in Cologne (DG MOVE subsidy in 2016: EUR 37.33 million). The main objective of EASA is to maintain a high uniform level of civil aviation safety in Europe and to ensure the proper functioning and development of civil aviation safety. This is achieved through opinions and recommendations to the Commission; certification specifications and guidance material; decisions regarding airworthiness and certifications of aviation products and the oversight of approved organisations and EU Member States.
- **EMSA** - the European Maritime Safety Agency based in Lisbon (DG MOVE 2016 subsidy: EUR 55.69 million). EMSA provides technical assistance and support to the European Commission and Member States in the development and implementation of EU legislation on maritime safety, pollution by ships and maritime security. It has also been given operational tasks in the field of oil pollution response, vessel monitoring and in long range identification and tracking of vessels.
- **ERA** - the European Railway Agency, based in Valenciennes (DG MOVE subsidy in

2016: EUR 27.40 million), provides technical assistance to the Commission and Member States in the area of railway safety and interoperability. This involves the development and implementation of Technical Specifications for Interoperability and a common approach to questions concerning railway safety. The new Regulation (EU) 2016/796 of the European parliament and of the Council, which entered into force as of 16 June 2016, provides ERA with new, additional tasks – issuing vehicle authorisations and safety certificated. It is expected that ERA will start issuing certificated and authorisations as from 2019 onwards.

Supervision

EASA, EMSA and ERA are fully fledged, regulatory agencies with a clearly established governance set-up, documentation and procedures as required by the "Common approach to the decentralised agencies". DG MOVE is a member of the Administrative Board (ERA, EMSA) / Management Board (EASA) and relies on the Decentralised Agencies to achieve their policy objectives entrusted to them. Arrangements are in place to ensure that all key proposals to these Boards are properly assessed and the Commission position agreed through formal opinions and formal consultations. In addition, regular reporting and extensive informal and formal contacts at all levels are also part of the interaction.

As part of the supervision and monitoring activities, DG MOVE is involved in numerous contacts at working level, coordination meetings, providing opinions on annual/multiannual work programmes, draft budget, staff policy plan and reporting. Whenever necessary, bilateral meetings between DG MOVE and the Agencies are organised. In addition, DG MOVE gets involved in the audit and discharge procedures of the three agencies.

The agencies have full responsibility for the implementation of their budget, while DG MOVE is responsible for the regular payment of the contributions established by the Budgetary Authority. The working arrangements with the agencies have been clarified either by Memoranda of Understanding or working methods of the budgetary committee which were set up for each agency with the objective to advise the Administrative /Management Boards on all issues related to drafting and implementation of the budget as well as staff-related issues within the agencies. DG MOVE is also represented in the sub-committee meetings which take place before the Administrative/Management Board meeting.

Performance indicators have been set up for the monitoring and follow up of the implementation of the budget, the audit recommendations and administrative matters. A report (which includes information on budget implementation, vacancy rate and audit recommendations) is provided by the agencies on a quarterly basis to DG MOVE, which helps detect any weaknesses. Additionally, after the closure of the financial year, the parent DG claims any surplus paid to the Agency on the basis of the budget outturn calculations provided to the Commission.

Finally, the Commission provides assistance to the agencies with regard to the application of the financial regulations, but also through the use of different Commission tools and services (ABAC, Medical Service, recruitment via EPSO, training, PMO).

Audit by the Court of Auditors

In the DAS 2015, ECA found the annual accounts of EASA, EMSA, and ERA legal and regular in all material aspects and that they present fairly in all material respects the financial position of the Agencies.

The Court made an observation to EASA concerning the high level of carry-overs of

committed appropriations, mainly relating to IT developments that were ordered near the end of the year, as well as to rule-making activities and research projects which go beyond 2015.

Overall, the Decentralised Agencies are taking ECA's observations into account in their continuous development of systems and procedures for controls and governance processes to achieve their objectives.

Conclusion

In conclusion, the regular supervision of the decentralised agencies did not identify particular issues that would need to be included in this report or that could have a material impact on the assurance. Overall DG MOVE considers that its supervision of the Decentralised Agencies is effective and appropriate.

2.1.1.3. Cost-effectiveness and efficiency

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

2.1.1.3.1. Direct Management

For the year 2016, the following indicators have been estimated related to stages 1 and 2 for H2020, to stage 3 for FP7, H2020 and EUROCONTROL and to stage 4 for FP7.

- **Stage 1 - Programming, evaluation and selection of proposals**

Effectiveness indicators	
<u>Value of proposals received</u> Budget available	$\frac{\text{EUR } 19\,825\,784}{\text{EUR } 10\,000\,000} = 1.98$
% of proposals (successfully) challenged under the redress procedure	0
Nr of litigation cases	0

Efficiency indicator	
Time-to-inform	120 days

- **Stage 2 – Contracting**

The new Regulations for Horizon 2020 (and the Financial Regulation (FR 128.2)) give a total of eight months for the full process of signing a grant: the so-called Time-to-Grant (TTG). In 2016 the TTG was respected for each of the five cases against the H2020 target of eight months, with a TTG of 226 days.

Efficiency indicators	
Time-to-grant (average nr of days)	226 days
Time-to-grant (average % of grants signed on time)	100%

- **Stage 3 - Monitoring**

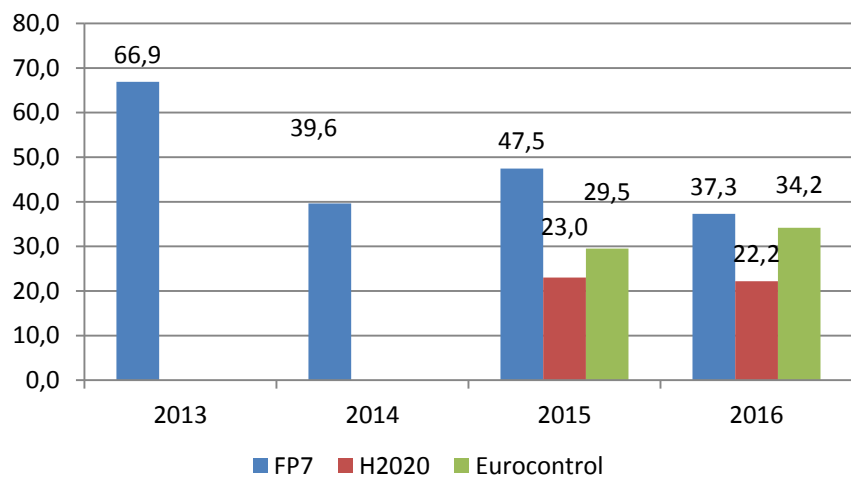
- **Efficiency indicator: Time-to-Pay**

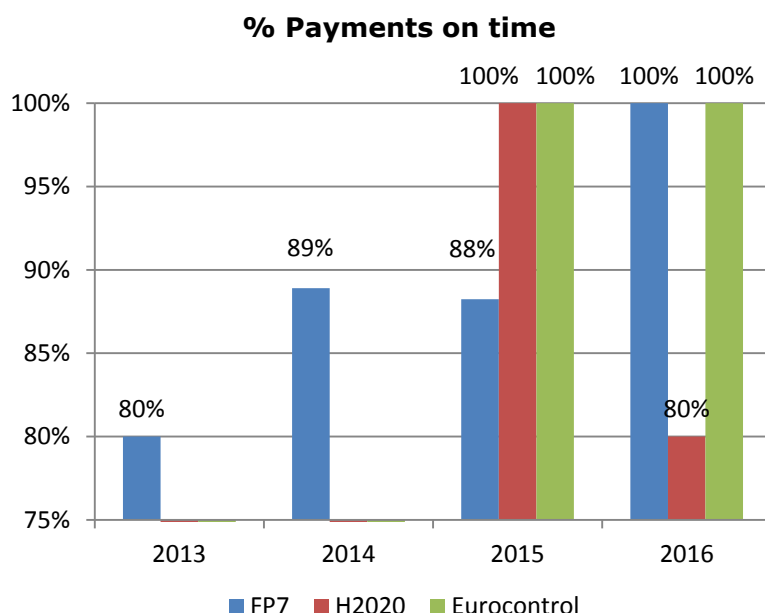
The evolution over time of the efficiency indicators for the categories of payments detailed under section 2.1.1.2.1 "Direct Management" (i.e. for FP7 and H2020 and to EUROCONTROL) is outlined in the two charts below.

For 2016, 100% of the payments for FP7 and to EUROCONTROL were made on time, thus above the Commission's average (95.43%), with a net average time-to-pay of 37.3 days for FP7 and 34.2 days for EUROCONTROL, which is below the respective payment time limits of 90 days and 75 days.

As to H2020, the average time to pay is also below the payment time limit of 30 days, while the % of payments on time has deteriorated in 2016 from 100% to 80% due to one delayed payments owed to organisational factors.

Net average time to pay (days)





The table hereunder provides cost-effectiveness indicators for the last three years concerning the stage 3 for FP7:

Cost-effectiveness indicators FP7	2014	2015	2016
Number of FP7 running projects	27	27	5
Cost for monitoring the execution ³⁸ (EUR)	586 120	536 168	112 332
Average project management costs ³⁹ (EUR)	21 708	19 858	22 466
Average number of FP7 running projects by FTE	6.6	7.2	6.5
Cost of controls ⁴⁰ / total amount paid (EUR)	5.3%	10.8%	5.3%

Overall, the indicators have not incurred significant variations since 2014.

The average project management costs per number of running projects can be justified by the fact that the ongoing projects can be quite complex, sometimes with a high number of beneficiaries and in need of a close supervision as most of them are in the final stages of implementation.

The ratio "cost of controls / amount paid" is dependent on the amount of payments in a given year; in 2016, it has come back to the 2014 level.

In addition to the indicators in the table above, the cost-effectiveness of stage 3 for FP7 is outlined in the following chart, comparing the quantifiable benefits stemming from this stage to the costs incurred to perform the ex-ante controls. It is important to note that

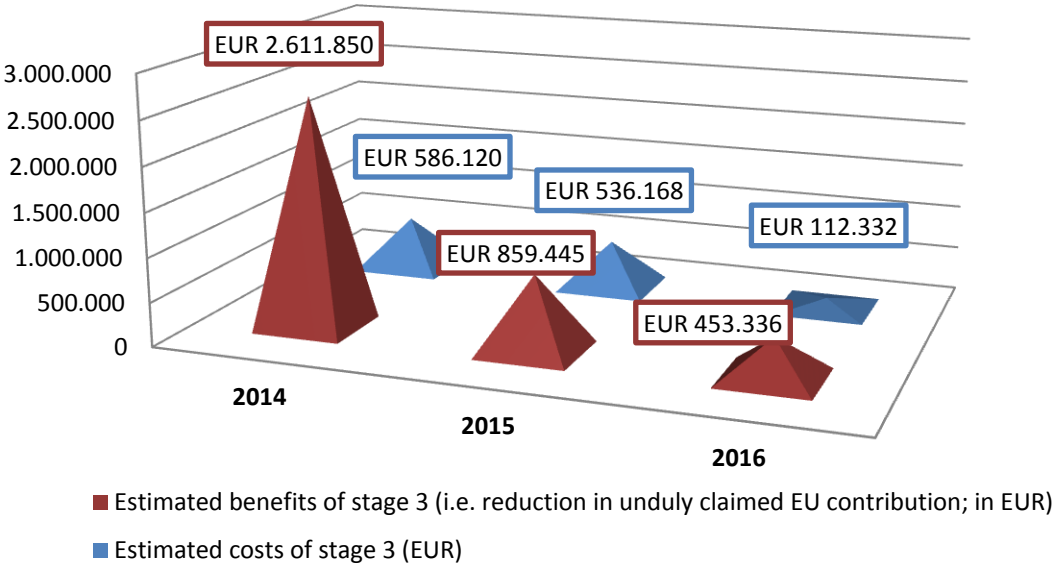
³⁸ Including overheads

³⁹ Including overheads

⁴⁰ Including overheads

the amount of unduly claimed EU contribution may vary from one year to the other, depending notably on the quality of the required supporting documents provided by the beneficiary, which ensure the conformity of the expenditure with the legal basis.

Stage 3 - FP7: costs versus benefits



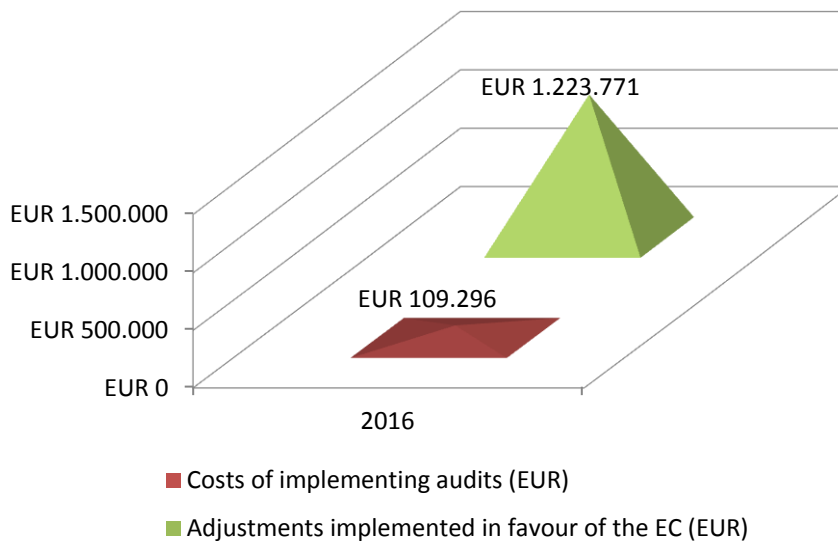
- **Stage 4 –Implementation of ex-post audits: cost-effectiveness indicator**

The Common Audit Service in DG RTD is responsible since January 2014 to carry out the ex-post audits for the Research Framework Programmes FP7 and H2020.

The contracts with EUROCONTROL, due to their nature, have not been the subject of ex-post audits by DG MOVE.

Therefore the only cost-effectiveness indicator that can be provided for stage 4 is the implementation of the audit adjustments, which is only available for FP7 at this stage, since it is not yet applicable for H2020 projects managed by DG MOVE.

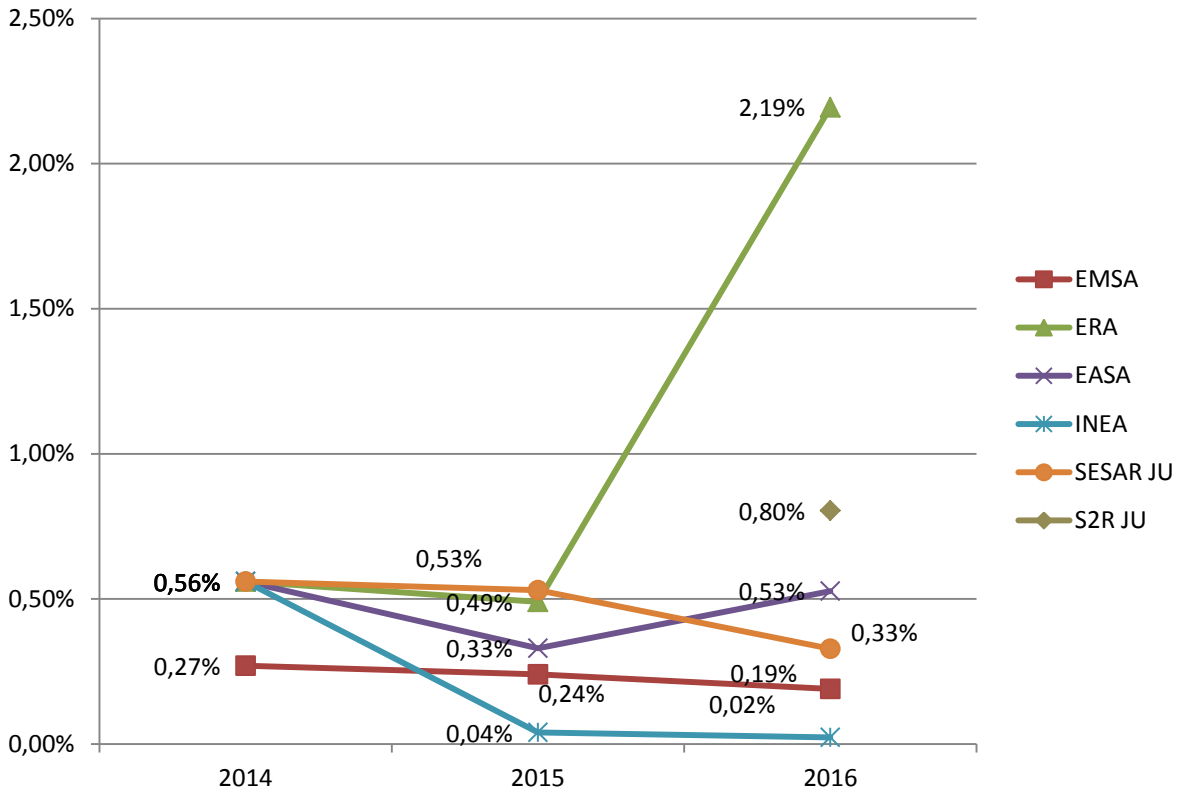
Implementation of FP7 ex-post audits (in EUR)



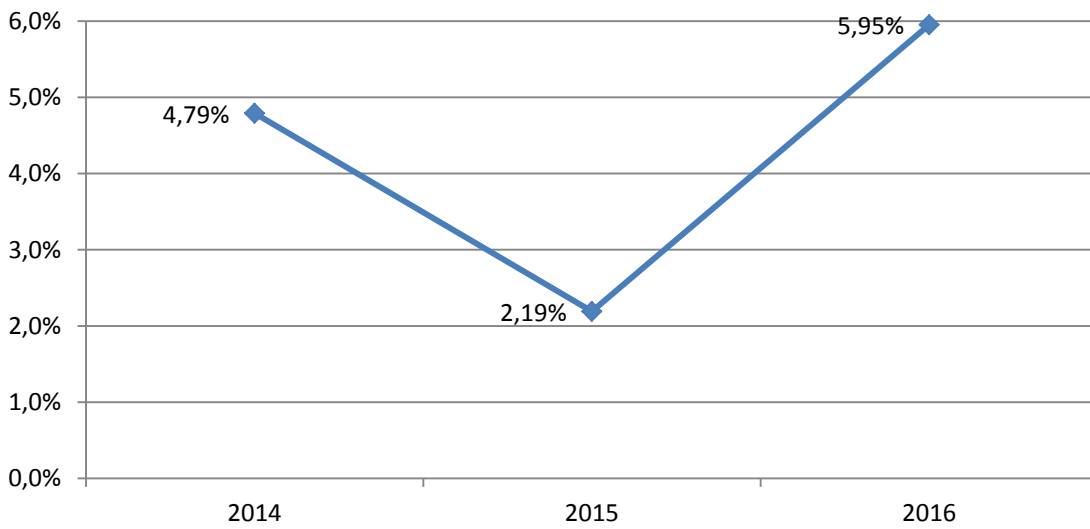
2.1.1.3.2. Indirect Management

As shown in the two charts below, the cost-effectiveness of the supervision controls carried out in 2016 by DG MOVE services over the entrusted entities remains low, at below 1%, except for ERA and the EIB. For ERA, this is due to the additional workload linked to the 4th railway package, adopted in 2016. As to the EIB, the ratio has increased due to the lower amount paid to the bank in relation to the CEF financial instruments in 2016, compared to 2015.

Agencies and JU: Control Cost-Effectiveness Ratio



EIB: Control Cost-Effectiveness Ratio



2.1.1.3.3. Conclusions

Overall, during the reporting year, it can be concluded that the controls carried out by DG MOVE were cost-effective and efficient, with an average of 1.92%.

For the expenditure under direct management, a conclusion on the cost-effectiveness can be stated for all stages. For stages 3 and 4, the estimated quantifiable benefits exceeded the costs. Furthermore, it is important to note that the benefits of stage 3 are necessarily affected by the limitation in the depth of ex-ante controls as part of the overall control framework.

In addition to the quantifiable benefits indicated above, there are also invaluable qualitative benefits stemming from the different stages. As regards stages 1 and 2, they ensure the selection of the best proposals and thus the achievement of the operational objectives set out in the specific work programmes. For stage 3, they provide an assurance that the project is running adequately and so will produce the research and innovation desired. The analysis of scientific deliverables can be valuable to ensure excellent science, and its appropriate feedback into policy considerations, even if it does not lead to a financial saving. As for the non-quantitative benefits of stage 4, the audits have a positive deterrent effect within the programme, which will ensure system improvements and a better compliance with regulatory provisions. Thus, the benefits are much wider than the budget implemented in the given year.

Moreover, the efficiency indicators also revealed that the DG allocated an appropriate quantity and quality of resources to ensure a fluent operation of the controls.

As regards the expenditure under indirect management, the costs of the control system compared to the level of expenditure remain low.

To summarise, the efficiency and the effectiveness of the controls are definitely sustained as a result of the quantitative and qualitative benefits, identified for the relevant stages of the process and providing a positive impact on the assurance⁴¹. The cost-effectiveness of the overall controls is also positive since the benefits for the Commission exceed the costs.

DG MOVE performed at the end of 2016 an assessment that aimed at determining whether an adaptation of the financial circuits and of the control systems should be considered. This assessment took into account the existing control architecture, the identified risks, the vulnerability of the DG to errors and fraud, the results of recent audits and the developments expected.

The conclusion was that no revisions were needed beyond the changes already implemented or planned, as DG MOVE had made continuous improvements to its control systems in order to adapt to changes and to issues highlighted by the successive audits, and as It had also made a significant effort to streamline its organisation.

This assessment also noted that supervision and control strategies should be revised in the wake of the adoption of the Commission's new Internal Control Framework that will occur in 2017.

⁴¹ Despite the reservation on FP7.

2.1.1.4. Fraud prevention and detection

DG MOVE has developed and implemented its own anti-fraud strategy since November 2013, elaborated on the basis of the methodology provided by OLAF. DG MOVE is committed to update its Anti-Fraud Strategy every two years. The last update occurred in October 2015. In 2016, a mid-term review was carried out; giving indications for the next update that is planned by the end of 2017.

The current strategy recognizes the importance of staff awareness and the growing importance of relations with decentralized bodies as well as the evolution of the cooperation framework between OLAF and the Commission, and between DG MOVE and the Research family DGs. The implementation of the strategy is monitored and reported at least twice a year to DG MOVE's management.

The indicators, related to the maintenance and update of the strategy, to regularity of reporting to management and to the improvement of staff awareness, show that the strategy is an effective tool, but that further efforts regarding staff awareness should be pursued. In 2016, a program of awareness-raising actions was developed with tailor-made initiatives related to DG MOVE's core activities, and a specific training was organised to reach a large proportion of staff involved in financial processes. An information package was disseminated to all middle managers.

In principle, the controls aimed at preventing and detecting fraud are comparable to those intended to ensure the legality and regularity of the transactions.

DG MOVE ensures notably:

- *That internal rules for fraud suspicion handling and reporting are in place;*
- *That potential fraud risks are considered within the annual risk assessment exercise for the Management Plan. The 2016 risk assessment did not identify any critical or significant fraud risks;*
- *A regular attendance to the Fraud Prevention and Detection network and to the Fraud and Irregularity Committee meetings as well as contacts with other DGs and services;*
- *That the Local Anti-Fraud Correspondent function is operated, in line with the common action plan for the Research family;*
- *That an appropriate level of cooperation is ensured with OLAF.*

During 2016, no new cases were sent to OLAF for investigation by DG MOVE. As of 31 December 2016 there were no open cases.

Table 2.7: State of implementation of the Anti-fraud indicators mentioned in the Strategic Plan 2016-2020

Objective: Minimisation of the risk of fraud through application of effective anti-fraud measures, integrated in all activities of the DG, based on the DG's anti-fraud strategy (AFS) aimed at the prevention, detection and reparation of fraud.

Indicator 1: Updated anti-fraud strategy of DG MOVE, elaborated on the basis of the methodology provided by OLAF

Source of data: OLAF guidelines – DG AFS

Baseline	Interim Milestone 2016	Target	Latest known results (2016)
Date of the last update:	Annual reviews, first by December	Update every two years, or if	The annual review was carried out as planned in December 2016.

October 2015	2016 AFS Updated by December 2017 and December 2019	there are major changes.	The update of the AFS is planned for 2017.
Indicator 2 : Regular monitoring of the implementation of the anti-fraud strategy and reporting on its result to management			
Source of data: Bi annual Report to the Commissioner			
Last update of the anti-fraud strategy - October 2015	Interim reviews twice a year, starting in the first half of 2016.	Review of the state of implementation twice a year and report of the result in the bi-annual report to the Commissioner	Regular information was provided on the implementation of the AFS within the reports to Commissioner Violeta Bulc.

Table 2.8: State of implementation of the Anti-fraud outputs mentioned in the Management Plan 2016

Objective: Minimisation of the risk of fraud through application of effective anti-fraud measures, integrated in all activities of the DG, based on the DG's anti-fraud strategy (AFS) aimed at the prevention, detection and reparation of fraud.			
Main outputs in 2016:			
Description	Interim Review of the AFS	Target	Latest known results (2016)
Maintenance and update of the anti-fraud strategy	Interim Review of the AFS	31st December 2016	The annual was review carried out as planned in December 2016.
Reporting to Management	An effective reporting on the results of the Anti-fraud at least twice a year	Reporting in the Bi-Annual reports to the Commissioner	100% <i>Moreover, the implementation of the antifraud strategy was reported, on a quarterly basis, to the DG MOVE Control Board.</i>
Actions to Improve Awareness	An effectively implemented yearly awareness raising plan	Actions included in the awareness raising plan for 2016 implemented by 31st December 2016	95%: <i>The main actions were implemented (workshop, information package for managers). .</i>

2.1.1.5. Other control objectives: reliability of reporting

DG MOVE implements a significant part of its budget through indirect management. It therefore relies on the reports and accounts provided by the relevant implementing bodies (as indicated in Section 2.1.1.2.2) and considers that overall the reporting

received was considered reliable and adequate for drawing assurance conclusions.

This section further details DG MOVE assessment of the reliability of reporting of the Joint Undertakings indirectly managed by DG MOVE and of the EIB.

a) The SESAR Joint Undertaking (SJU) for the implementation of the Single European Sky initiative.

The statutory information received in 2016 from SESAR included its AAR, the annual work programme and budget for 2016 as well as the single programming document for 2017 (including the multi-annual work- programme, the budget, staff allocation and annual work programme).

This information was deemed adequate for drawing assurance conclusions and was also considered reliable. Assurance in this respect is drawn from an analysis of these reports as well as from the Court of Auditors' (ECA) report on the 2015 accounts of the SJU, from the 2013 and 2014 Discharge Resolutions and from the relevant IAS reports, in particular the 2015 Audit Report on Operational Governance and Master Plan Update.

Besides, DG MOVE attends every meeting of the SJU Permanent Audit Panel and attaches, as chair of the SJU Board, a particular attention to a strict follow-up of IAS and ECA recommendations.

b) The SHIFT2Rail Joint Undertaking (S2R) for the implementation of the Horizon 2020 Research & Innovation activities in the rail sector.

S2R became autonomous in May 2016 and started to launch its project activity in September. Until that time the JU was under the direct management control of the Commission. Nonetheless, statutory information received from the implementing body included its AAR, the annual work programme and budget for 2016 and 2017, in addition to the multi-annual work programme.

All S2R reports and decisions are scrutinised by the Parent DGs and by DG MOVE in particular as lead-service. Updates on administrative issues and the progress on the pipeline of projects are regularly presented to the Governing Board. Moreover, a set of key performance indicators have been identified and used in the JU's Annual Activity Report.

S2R is subject to standard ECA audits on its operations and accounts

In conclusion, the statutory information was considered adequate for drawing assurance conclusions and, combined with the Commission's direct experience until May 2016, was considered reliable.

c) The European Investment Bank for the CEF DI instruments.

Statutory information received during the reporting period includes the annual reports and the financial statements for the financial year 2015. The management information received from this body is considered as sufficient and reliable. Assurance in this respect is drawn from the declaration of assurance that accompanies these documents.

DG MOVE received annual reports, declaration of assurance and the financial statements in February 2017 for the financial year 2016 as defined in the CEF Debt Delegation Agreement.

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.

2.1.2.1 Internal Audit Service (IAS)

Limited Review of the calculation and the underlying methodology of the Residual Error Rates for the 2015 reporting year

In its final report issued in April 2016, the IAS confirmed the reliability of the residual error rates calculated for FP7 programme. DG MOVE took the necessary actions to address the observations made. In December 2016 the IAS concluded that all recommendations of the report had been adequately and effectively implemented.

Audit on setting of objectives and the measurement of performance

In its final report issued in October 2016, the IAS concluded that significant weaknesses existed and that the performance management framework had to be further improved to demonstrate how the DG's short-term actions effectively contributed to the achievement of its strategic objectives and consequently to the high-level Commission priorities.

Three very important recommendations were formulated:

- To complete the performance framework by preparing a strategic view of the DG's activities that establishes its intervention logic and by developing an integrated approach to performance monitoring and reporting on policy achievements;
- To improve its objective and indicators;
- To improve the assignment of responsibilities for the preparation of CEF Programme Statement, to develop and document a procedure for its preparation and coordination; and to perform a screening of CEF indicators to improve their quality.

DG MOVE partially accepted the first and second⁴² recommendations and accepted the third recommendation considering that:

- its strategic vision and overarching intervention logic is clear, described in its Strategic Plan 2016-2020 and in line with the guidelines of the central services;
- and that its specific objectives and indicators meet, respectively, the SMART and RACER criteria to the extent possible.

DG MOVE formulated and committed to the following actions, in order mitigate the risks identified during the audit:

⁴² See the position of IAS on p. 71

- the link between the Management Plan and the 2016-2020 multi-annual Strategic Plan⁴³ has been explained in the 2017 Management Plan, and the main output activities of the year have been placed into perspective with the overall political and economic environment to further substantiate the intervention logic;
- the mission statements of directorates and units have been revised;
- the tools in place to ensure performance monitoring and regular reporting to management are now documented, and serve as a checklist to ensure that management receives all the necessary reporting;
- document an overview of the performance management framework and explain how different elements, objectives and indicators fit together and cover the most essential aspects of the DG's activities (work ongoing);
- document and formalize the procedure for the preparation of the CEF programme statement, and assess CEF indicators to ensure their correctness.

The above actions are all planned to be implemented in 2017.

The IAS assessed these actions yet considered they would not sufficiently improve DG MOVE's performance framework and the quality of objectives and indicators and therefore not entirely mitigate the underlying risk.

With the actions taken after the observations made by the IAS, DG MOVE considers that any residual risk is acceptable and does not impair its assurance.

Audit on DG MOVE's monitoring of the Aviation and Maritime Security policies, including related working arrangements with the EMSA Regulatory Agency

In its final report issued in January 2017, the IAS concluded, whereas aviation and maritime security inspections are adequately performed, there were significant weaknesses in the current monitoring system due to the lack of a formalised comprehensive monitoring strategy. In this context, the audit results in three Very Important recommendations:

- To formalise a comprehensive overall strategy for the EC monitoring of the implementation of the EU aviation security standards by the Member States.
- To ensure that Member States provide all information necessary to conclude on the effectiveness of the implementation of the national quality control programmes. To document the methodology to be followed by its inspectors when analysing the annual reports. To share these conclusions with the other Member States in the appropriate Committee.
- To formalise a comprehensive overall strategy for the EC monitoring of the implementation of the EU maritime security standards by the Member States.

The recommendations were accepted and DG MOVE designed an adequate action plan.

An action plan was drafted to address the identified weaknesses. All identified actions are planned to be implemented in 2017.

⁴³ The Commission instructions provide that the Strategic Plan, and the objectives and indicators included therein, remain stable throughout the planning period.

Follow-up of recommendations stemming from the Audit on the Supervision of the Implementation of Connecting Europe Facility:

In its final report issued in January 2016, the IAS had concluded that further improvements were necessary to ensure effective supervision arrangements on the implementation of the CEF programme and on the achievement of the CEF and TEN-E objectives.

One very important recommendation had been formulated requesting a further development of a supervision strategy of corridors development. DG MOVE's action plan was designed to formalise the supervision strategy in an internal document.

In January 2017, based on the results of a first follow-up audit addressing the very important recommendation, the IAS concluded that the designed actions were not yet satisfactorily implemented and that further actions were still required. The IAS, however, acknowledged the extent of the mitigating actions already implemented and downgraded the rating of the recommendation to 'important'. The degree of implementation of the four important recommendations will be assessed in a separate follow-up assignment.

Follow-up of recommendations resulting from previous IAS audit reports:

There are no outstanding recommendations resulting from the audit reports issued prior to 2016.

Internal Audit Service – conclusion on the state of internal control:

The IAS is entrusted with the responsibility to provide a conclusion on the state of internal control in DG MOVE, which covers the audit work of previous years and all open recommendations issued by the IAS⁴⁴. The IAS concluded that the audited internal control systems were overall working satisfactorily although a number of very important findings remain to be addressed in line with the agreed action plans. Particular attention was drawn to:

- the combined effect of the three very important findings and recommendations on aviation and maritime security;
- the risks assumed by DG MOVE following the partial rejection of one very important recommendation and the rejection⁴⁵ of another very important recommendation from the audit on setting of objectives and measurement of performance in DG MOVE.

Considering DG MOVE disagreement with the findings identified in the area of setting of objectives and measurement of performance, the IAS noted that DG MOVE had accepted the risks not covered by the planned actions.

⁴⁴ And by the former Shared Internal Audit Capability

⁴⁵ See the position of DG MOVE on p. 69

2.1.2.2 European Court of Auditors (ECA)

a. Audit work 2016 - Declaration of assurance (DAS) 2015

In the context of DAS 2015, ECA assessed *Mobility and Transport* as part of the *Competitiveness for Growth and Jobs* chapter⁴⁶. ECA concluded for the whole chapter that the testing of transactions indicates that the most likely error present in the population is 4.4 % (compared to 5.6% in 2014) and that the overall audit evidence indicates that accepted expenditure is affected by a material level of error. The *Mobility and Transport* payments represent around 8% of the total of the whole chapter.

The ECA selected seven transactions from transport budget lines: one payment concerning the financial instrument PBI; four payments from the TEN-T programme and two subsidy payments to decentralised agencies.

The Court did not issue any observations for six of the selected transactions. Only for one of the sampled payments from the TEN-T programme, ECA detected a non-quantifiable error at the level of the beneficiary: delay in the publication of the award notice.

Furthermore, the Court also performed an audit of the accounts of DG MOVE as at 31/12/2015. This included analysis of closure operations, substantive testing of invoices and pre-financings and analysis of cut-off data. The Court did not issue any observations.

b. Audit work 2016 - Declaration of assurance (DAS) 2016

As regards to the audit work for the DAS 2016, ECA has selected nine transactions so far for review in the field of Mobility and Transport: four from the TEN-T programme managed by INEA; two clearings of the annual subsidies to ERA and to EASA, three payments related to CEF programme.

DG MOVE has already received five Statements of Preliminary Findings from the Court:

- Two with no observations on the two clearing transactions concerning the subsidies paid to ERA and EASA;
- Two with no observation as regards to two of the selected transactions from the TEN-T;
- One with two observations as regards to a TEN-T sampled transaction, having no financial impact.

The audit work is still on-going for the other transactions.

c. Audit work 2016 - Special Reports

In 2016 ECA published two Special Reports which directly related to DG MOVE activities:

In its **Special Report Nr 8/2016 on "Rail freight transport in the EU "**, the Court called for:

- Appropriate powers, independence and resources of regulatory bodies to prevent anti-competitive practices;

⁴⁶ Chapter 5 of the ECA's annual report 2015 (OJ C 375, vol. 59, 13.10.2016)

- An adaptation and harmonisation of traffic management and capacity allocation rules, taking account of the specific needs of the rail freight sector;
- Proper maintenance of the railway networks.

According to the Court, additional regulatory measures were required to promote a level playing field between the different modes of transport. To make better use of EU funds, The Court recommended that the Commission and the Member States matched policy objectives more consistently to funding allocations and the selection, planning and management of projects and network maintenance. DG MOVE has undertaken efforts to revitalise Rail Freight. Initiative and actions undertaken include, for example the long-lasting work towards interoperability or the Research and Innovation initiative "Shift2Rail".

The recent adoption of the technical pillar and the agreement on the market pillar of the 4th Railway Package are important contributions towards the competitiveness of rail freight. The ongoing implementation of the single European railway area Directive, that strengthens regulatory bodies and introduces new rules, is contributing to better framework conditions for the development of rail freight. The Rail Freight Corridors (RFCs) form the key element of the Commission's strategy to revitalize rail freight.

DG MOVE is pursuing a consistent approach between transport policy objectives and EU funding allocation as far as funding of the TEN-T projects under the newly created CEF is concerned. As evidenced by the outcome of the first two CEF Calls for Proposals, CEF financing focuses on projects with high EU added value, targeting in particular rail bottlenecks, cross-border missing links, ERTMS deployment, rail freight noise, rail interoperability and multimodal logistic platforms, with a view to boosting rail freight transport in Europe.

In its **Special Report Nr 23/2016 on "Maritime Transport in the EU"**, the Court of Auditors observed that funding in similar port infrastructures and superstructures in neighbouring ports had led to ineffective and unsustainable investments. The Court highlighted the importance of the State aid policy to enable seaports to compete on a level playing field. The Court recommended that the Commission closely monitors the core port capacity and prioritises the EU-co-financing and funds port infrastructure where EU added value is demonstrated.

DG MOVE shares the view that port investments have to be more efficient. The efficiency of port infrastructure must be assessed from a long-term perspective. The economic crisis has led to a decrease in demand, which has resulted in underused capacity in almost all transport sectors.

The Commission's ports policy was renewed in 2013 and a new TEN-T policy was launched. These new initiatives progressively show their effects and serve as a basis to better use infrastructure and prioritise investments. Further measures, such as the e-manifest, are taken to streamline the procedural circuit for the authorisation of projects or to reduce the administrative burden for the operators.

The observations stemming from these reports are not believed to have any material impact on the declaration of assurance.

- **Follow-up of recommendations issued in previous years**

As regards to the previous DAS observations accepted by the Commission, all have been closed by DG MOVE and INEA, with the exception of a pending recovery by INEA of ineligible cost which will be implemented during the first final payment to the project in the beginning of 2017.

As of 31.12.2016, DG MOVE was the lead DG for 31 open recommendations stemming from Special Reports issued in 2015 and 2016, or from the successive Discharge Resolutions. No recommendations were significantly overdue.

2.1.2.3 Overall Conclusion

Overall, internal and external audit work contributes significantly to the continuous improvement in DG MOVE systems and operations. The IAS and ECA findings and recommendations are subject to a systematic follow up by the Directorate-General.

Although these audits resulted in key findings, it is noted that all accepted very important recommendations issued by the IAS have led to specific action plans being drafted to address the underlying issues. Whereas DG MOVE partially agreed with two of the recommendations stemming from the audit on the setting of objectives and the measurement of performance, alternative actions were proposed to mitigate the identified risks.

Recommendations issued by the ECA and by the Discharge Authority were also systematically addressed.

The current residual risk from the audit recommendations remaining open in DG MOVE does not impair the declaration of assurance.

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.

DG MOVE 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.

The entry into force of a revised Internal Control Framework is planned for 2017. The assessment was carried out against the current set of Internal Control Standards.

2.1.3.1 Source and methodology for the internal control assessment

The internal control self-assessment exercise was performed between September 2016 and January 2017 in compliance with the methodology proposed by DG BUDG. The self-assessment was based on three main pillars: 1) an online survey aimed at all staff in DG MOVE; 2) a series of interviews with representatives of middle management and specialized functions (among others Business Continuity, HR, Financial Management); and 3) additional tests and desk reviews performed by Internal Control staff. The objective of such an approach was to have a more reliable basis for the final assessment.

The approach also took into account:

- the results from the 2016 Staff Survey (organized by DG HR);
- the results of the risk assessment exercise;

- the AOSD reports submitted by each Directorate, particularly information on supervision and monitoring arrangements for delegated programmes;
- the analysis of the register of exceptions and non-compliances;
- the results of audits and follow-up engagements performed by IAS and ECA during 2016;
- the status of implementation of action plans results from previous IAS/ECA audit work.

2.1.3.2 Internal Control Self-assessment results for 2016

Fifteen Internal Control Standards (ICSs) covering six "building blocks" were tested. Following the centralization of the Shared Internal Audit Capability of DG ENER/MOVE within IAS in 2015, the assessment of the ICS16 Internal Audit Capability is no longer necessary.

A recent IAS audit⁴⁷ highlighted weaknesses with regards to objective setting and performance management in DG MOVE. These weaknesses concern the performance framework and the quality of objectives and indicators in the 2016 SP/MP. The auditors also noted specific problems with the CEF programme statement for 2016. Taken together, these elements resulted in the assessment of ICS 5 - Objectives and Performance Indicators as "Partially effective".

The IAS audit of DG MOVE's monitoring of the Aviation and Maritime Security policies highlighted weaknesses regarding the supervision. These elements resulted in the assessment of ICS 9 - Management Supervision as "Partially effective".

The exercise did not result in the identification of any other weaknesses, errors or actions that could jeopardise the effectiveness of DG MOVE's internal control system.

With regards to the weaknesses identified in 2015 – concerning ICS 11 - Document Management – DG MOVE now has reasonable assurance that this has been successfully addressed through corrective actions and this standard is no longer assessed as "Partially effective".

2.1.3.3 Assessment of exceptions and non-compliance events

The functioning of the internal control systems was closely monitored throughout the year by the systematic registration of non-compliance events and exceptions. 16 non-compliance events and four exceptions were registered and analysed in the course of 2016.

The analysis of the events revealed that the most common sources of errors relate to:

- commitments (e.g legal commitment signed before budgetary commitment);
- contractual and financial procedures;
- organisation of meetings with external experts;
- missions procedures (e.g. wrong encoding of mission data).

⁴⁷ IAS Audit Setting of objectives and measurement of performance in DG MOVE

Of the exception events registered, three related to commitments and one to contractual and financial procedures.

The impact of these errors on the assurance of the Authorising Officer was assessed as minor. The awareness raising campaign on internal control, risk and fraud prevention matters that is being planned for 2017 will give due attention to the need to inform staff about the most common mistakes and remind them of the financial and contractual rules in place.

2.1.3.4 General risk environment

In 2016, DG MOVE faced no major change to its risk environment. DG MOVE has put in place a risk assessment process ensuring an appropriate coverage of all its activities. Two key risks had been identified for 2016, related to Single European Sky and the setup of the related Performance Scheme and to the setup of the Shift2Rail Joint Undertaking, leading to the adoption and implementation of action plans to reduce the likelihood of occurrence of these risks or to mitigate their effects. The successful establishment of Shift2Rail JU allowed closing the risk in the course of the year. Further actions are planned in 2017 to mitigate the residual risk attached to one of the component of the Performance Scheme.

2.1.3.5 Conclusion on the internal control system

Based on all the methodology and information sources described above, DG MOVE has assessed the internal control systems during the reporting year and has concluded that the internal control standards are implemented and functioning as intended, except for standards 5 and 9 that were noted as partially effective and for which further improvement is needed.

In both cases, the observed weaknesses were put in evidence by the IAS audits. The remedial measures envisaged in respect are therefore, primarily, the implementation of the agreed upon action plans, as discussed under section 2.1.2.1 above.

Regarding standard 9, this will be complemented by an effort, in the wake of the adoption of the New Commission Internal Control Framework, to review the control and supervision strategies of DG MOVE's key processes.

2.1.4 Conclusions as regards assurance

This section reviews the assessment of the elements reported above (in Sections 2.1.1.1, 2.1.2 and 2.1.3) and draws conclusions supporting the declaration of assurance and whether it should be qualified with reservations.

The information reported in Section 2.1 stems from the results of management and auditor monitoring contained in the reports listed. These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in an adequate coverage of the budget delegated to the Director-General of DG MOVE.

DG MOVE updated its anti-fraud strategy in 2015 and performed an annual review at the end of 2016, in view of an update of the strategy in 2017. The current action plan is fully implemented.

DG MOVE identified key risks for 2016, none related to specific fraud risks. Action plans to reduce or mitigate these risks were adopted and implemented. However, further actions are planned in 2017 to mitigate the residual risk attached to one of the components of the critical risk, which is the reason why it was decided to maintain it for the year 2017, though downgrading it to significant.

DG MOVE assessed its internal control systems and concluded that the internal control standards (ICS) are implemented and functioning as intended, except for standards 5 (Objectives and Indicators) and 9 (Management Supervision), noted as partially effective and for which further improvement is needed.

In relation to the recommendations issued in 2016 by the Court of Auditors and the IAS, none are considered to have a material impact on the declaration of assurance of DG MOVE.

All accepted very important recommendations issued by the IAS have led to specific action plans addressing the underlying issues.

As regards the two very important recommendations formulated by the IAS following their 2016 audit on Setting of Objectives and Measurement of Performance, which were partially accepted by DG MOVE, the DG formulated and committed to alternative actions, to mitigate the risks identified during the audit. Besides, DG MOVE has accepted the risks not covered by the planned actions, assessing that they would not have a material impact on the assurance.

Moreover recommendations issued by ECA and by the Discharge Authority were also systematically addressed.

The current residual risk from the audit recommendations remaining open for DG MOVE does not impair the declaration of assurance.

Concerning the FP7 reservation, DG MOVE maintains it in the 2016 AAR, as the assessment on legality and regularity for FP7 returns a level of detected error which appears to be "persistently high" over the years in terms of potential financial impact (exposure). Given the inherent risk related to a key modality of the programme (notably grants system's reimbursement mechanism based on eligible actual costs and the related risk of errors in the costs reimbursement claims submitted by the beneficiaries), also the residual error is expected to remain above 2%, and even the estimated overall amount at risk *at closure* by the end of the programme's lifecycle as well.

Moreover, it has to be noted that in its 2015 Annual Report, ECA concluded on an

estimated level of error of 4.4% for the entire 2015 spending in the MFF chapter 'Competitiveness' (compared to 5.6% in the 2014 report). Most of this error rate (77%) is due to 10 cases (nine from FP7 and one from the 2007-2013 Competitiveness and Innovation) where the errors found exceeded 20 % of the examined items.

Appropriate ex-ante and ex-post controls are implemented, to the extent that they remain cost-effective and do not affect the other programme objectives nor abandon the financial scheme. Besides, the legal framework for FP7 can no longer be modified as all grant agreements have been signed. Radical simplifications to reduce errors (and to help achieve other policy objectives) were however introduced in Horizon 2020.

Therefore, under the prevailing risk environment and from a managerial point of view, DG MOVE's AOD can sign the Declaration – even with a reservation for the FP7 Research Programme (see section 2.1.5.2).

Overall the controls carried out by DG MOVE for the management of the budget, whether implemented directly or indirectly were effective for the reporting year. DG MOVE also judges that the resources assigned in 2016 to the activities described in this report were 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.

Overall Conclusion

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and work as intended (taking into account also the multiannual character of the main programmes); risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented.

The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance albeit qualified by a reservation concerning the Seventh Framework Programme.

2.1.5 Declaration of Assurance and reservation

2.1.5.1. Declaration of Assurance

I, the undersigned, Director-General of DG MOVE,

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view⁴⁸;

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

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

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

However the following reservations should be noted: the residual error rate observed by ex-post controls on grants given under the Seventh Research Framework Programme is higher than the control objective (2%).

Brussels, date

.....

(signature)

Henrik Hololei

⁴⁸ True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG/Executive Agency.

2.1.5.2. Reservation on FP7

DG MOVE	Reservation on FP7
Title of the reservation, including its scope	Reservation concerning the rate of residual errors with regard to the accuracy of cost claims in Seventh Framework Programme (FP7) grant agreements
Domain	Direct management of FP7 grants
Programme and amount affected (= "scope")	06.03 Horizon 2020 – Research & innovation related to transport Payments made in 2016 for FP7 grants amount to EUR 2.11 million ⁴⁹ ;
Reason for the reservation	At the end of 2016, the residual error rate is not below the materiality threshold foreseen for the multi-annual period (2%).
Materiality criterion/criteria	The materiality criterion is the residual error rate, i.e. the level of errors that remain undetected and uncorrected, by the end of the management cycle. The control objective is to ensure that the residual error rate on the overall population is below 2% at the end of the management cycle. As long as the residual error rate is not below 2% at the end of a reporting year within the FP's management lifecycle, a reservation would be made.
Quantification of the impact (= actual exposure")	The Residual Error Rate is 2.91% for FP7 projects. This rate does not take into account corrections in favour of beneficiaries. The maximum impact is calculated by multiplying the residual error rate in favour of the Commission by the amount of FP7 payments and clearing of previous pre-financing in 2016 (in total: EUR 7.28 million). The estimated amount at risk in 2016 is EUR 0.21 million.

⁴⁹ The amount for the 0603 ABB activity reported in Annex 3, table 2, column 2 "payments made" shows a total of EUR 166.91 million as it also includes other payments (e.g. H2020 pre-financing, contributions to SESAR JU and S2R JU, other operational expenditure for FP7 and H2020).

FP7 payments for SESAR JU are not concerned by this reservation as the residual error rate calculated by the JU is below 2%. Based on the SJU's ex-post audit strategy and results, DG MOVE has received reasonable assurance about the legality and regularity of the SJU's underlying expenditure.

The payments made under the ABB 0802 Horizon 2020 – Research for FP7 (amounting to EUR 3.80 million) cross-sub-delegated by DG RTD are not taken into account in the amount affected by the reservation for DG MOVE.

<p>Impact on the assurance</p>	<p>Legality and regularity of the affected transactions, i.e. only payments made against cost claims (interim payments and payments of balance). The impact on assurance is limited by the reduced net financial impact that will occur in some cases where eligible expenditure is limited by budget ceilings.</p> <p>The amount at risk of EUR 0.21 million represents 0.05% of DG MOVE payments in 2016 (EUR 423.78 million). Consequently reasonable assurance can be provided.</p>
<p>Responsibility for the weakness</p>	<p>The main reasons for errors are :</p> <ul style="list-style-type: none"> - the complexity of the eligibility rules as laid down in the basic acts decided by the Legislative Authorities, based on the reimbursement of actual eligible costs declared by the beneficiaries; - the fact that there are many thousands of beneficiaries making claims, and not all can be fully controlled. <p>The different control provisions set out by the Commission services, along with the audit certificates on financial statements and ex-post audits, can mitigate these risks to a certain extent, but can never be carried out on 100% of the cost claims received.</p>
<p>Responsibility for the corrective action</p>	<p>The possibilities to simplify the FP7 rules have been exhausted. The programme is now in its final stage of implementation: the total amount paid per year will be decreasing, and therefore the financial impact too.</p> <p>To limit the error rate in the remaining part of the programme, the following actions are applied:</p> <ul style="list-style-type: none"> - Continuous efforts to give guidance and feedback to the participants and certifying auditors to prevent errors occurring; - Continuous control and audit work in order to further reduce the FP7 residual error rate: a third common representative audit sample has been launched and partially closed.

2.2 Other organisational management dimensions

This section covers the work of the back office, horizontal services within the DG: human resources management, budget and financial management, informatics and logistics, and information management. The aim of these services is to provide high quality administrative support, advice, assistance, control and monitoring of resource use.

DG MOVE had a total of 412 staff⁵⁰. For 2016⁵¹, it had executed payments of about EUR 4.24 billion under its responsibility, mostly for co-financing European transport network infrastructure (CEF) and transport research and innovation (Horizon 2020).

2.2.1 Human resource management

With the reorganisation implemented at the end of 2016, DG MOVE advanced towards reaching the mandatory targets and 2020 objectives. By introducing purely vertical and horizontal Directorates versus the previous hybrid structure, mapping existing tasks, measuring workload, redeploying staff to match competences with jobs, improving organisational fitness indicators (in particular as regards the rationalisation of secretarial support), DG MOVE has achieved a more streamlined and efficient structure, aligned workforce to political priorities and generated important synergies. In 2016, talent management actions were also high on the agenda. In effect, DG MOVE created Deputy Head of Unit functions in each Unit with the objective to select the next generation of middle managers and in that respect to promote talented staff as Deputy Heads of Unit to test their managerial skills in 2017. In 2017 DG MOVE will evaluate the implementation of the reorganisation, including feedback from staff, and will subsequently assess whether further fine-tuning will be necessary.

DG MOVE welcomes the positive outcome of the 2016 Staff Survey. Indeed, with a 70% rate of staff engagement, DG MOVE ranks higher than the Commission average (64%) and among the best performing DGs. Moreover, DG MOVE's positive responses are above the Commission average for 55 out of the 63 statements of the survey. The results have identified clear areas of strength in DG MOVE, but also opportunities for improvement – of which many have already been addressed in the October reorganisation, in particular as regards organisational development. Nevertheless, while cherishing the positive trends of the current survey, DG MOVE is committed to do even better and is currently developing an action plan with concrete deliverables.

Continuing the close monitoring and building on the positive results of the previous years, DG MOVE arrived at 5.6% overheads in 2016. With this score, DG MOVE occupies the first position in the DG Family (with an average of 7.4%) and ranks even better than the Commission average (6.4%). Having reached its full potential and limits since its launch in 2007, it is envisaged that this exercise be integrated into a new screening mechanism designed to serve several purposes as of 2017.

2.2.2 Better regulation

As part of the Better Regulation agenda, several activities were put in place to ensure better quality legislative output, streamlining procedures, enriching databases and setting more realistic timelines when planning initiatives. Further to already existing

⁵⁰ Figure as of 31.12.2016. In addition DG MOVE shares administrative support services with a total staff of 153 with DG Energy.

⁵¹ 2016 budget.

internal Better Regulation guides and templates, an internal guidance with the summary of the main requirements to be met and guidance of procedures was made available. Two Impact Assessments were scrutinized by the RSB (100% success rate and 50% success rate on first submission), and five more were prepared up to an advanced stage. Three Evaluations were completed in 2016 as Staff Working Document and have been made available to the public. Five more were prepared at the stage of SWD and are expected to be completed in 2017.

Likewise, enhanced coordination and quality checks in the preparation and adoption process of secondary legislation have allowed to ensure timeliness in liaising with the other institutions, and appropriate implementation of existing and new procedures under the Better Regulation agenda, notably with regards to the application of the feedback mechanism and the political scrutiny on Delegated and Implementing Acts.

Two legal proposals to repeal three Regulations and a Communication to declare three other acts as obsolete were also adopted by the Commission.

With regards to implementation support and monitoring, a "Strategy for a Smart Enforcement of the EU transport Acquis" was developed to review and update the way infringements are managed. An analysis of the necessary guidance to be provided to Member States to ensure adequate transposition and implementation of new directives was also conducted, notably related to the technical pillar of the 4th railway package. Work was done towards the preparation and coordination of the new joint enforcement initiative on rail market opening established between DG MOVE and DG COMP to foster market opening and competition in the railway sector through better and coordinated enforcement actions.

2.2.3 Information management aspects

Information Management (IM) was marked as one of the organisational priorities in the Commission in 2016. DG MOVE has taken many actions in this area during 2016, as detailed in Annex 2. These actions have allowed DG MOVE to clearly improve in terms of filing. An important filing operation has been carried out during DG MOVE reorganisation in October 2016. This operation, together with the awareness raising actions carried out during the year has improved the ratio of unfiled documents. Also, all members of the Information management team have been trained and are currently involved in the creation and monitoring of files in DG MOVE.

While trying to put in place the new policy for sharing files, it was noted that a wider approach than a review of files accessibility per unit was necessary. This new approach required an improvement of the security measures for managing sensitive information, which was addressed by carrying out an awareness campaign on sensitivity. Further actions to make the transition into sharing information will be developed in 2017 with a more global perspective, in the framework of a Knowledge Management policy to be implemented in cooperation with DG MOVE Policy Coordination Directorate.

2.2.4 External communication activities

All the examples of specific communication activities, directly linked to political priorities of the Juncker Commission and contributing to corporate communication actions, foreseen in Management Plan 2016 were carried out in a timely manner. This included the launch of a new "digital" passenger rights campaign focusing on on-line

communication tools (Facebook, Twitter, Youtube, etc.); the organisation of the European Mobility Week raising awareness for sustainable urban mobility and to encourage multimodality; the publication of the EU Transport Scoreboard comparing Member State performance in transport-related categories.

Here are examples of results of the main communication actions:

European Mobility Week 2016

The mobility week sees more participation year after year. In 2016 it took place in 51 countries and 2,426 towns and cities registered (+158 compared to 2011 and +553 compared to last year). There were 364 registered actions almost doubled compared to last year, and a car free day was organised in 951 towns. The media coverage after the 2016 sustainable urban mobility award ceremony, hosted in Brussels, reached 66 clippings in 12 European Member States. In September 2016, the media coverage for Mobility Week reached 553 clippings across the Member States. Social Media: 4,264 mentions of the hashtag #MobilityWeek between 16-22 September.

Passenger Rights awareness campaign

The online campaign targeted the increasing of visits (clicks) on Your Europe Passenger Rights section through Google and Facebook Ads. In 2016 the page received 392,000 visits from the campaign Ads, which accounts for more than half of the total visits of this page the same year, effectively doubling the traffic. The number of people reached with the online advertising was over 40 million. The click through rate was €0.2 per click, considered very successful for online advertising.

Transport Scoreboard

The "EU Transport Scoreboard" is a benchmark which compares how Member States perform in 30 categories covering all aspects of transport. The news release of the updated scoreboard on 27/10/2016 received good coverage: for EU affairs Politico and EurActiv, several financial newspapers around Europe and agencies in about 15 countries for a total of 24 clippings. The scoreboard reached about 30,000 web visitors in 2016. Country fact sheets have been made available to the Representations.

As regards the indicators included in Management Plan 2016, the weekly newsletter target, 35 issues, was not reached due to migration to Drupal, which caused technical issues.

- **Example of planned initiatives to improve economy and efficiency**

In its Management Plan 2016 DG MOVE mentioned the implementation of the corporate IT-tool "BASIS" for the coordination of requests for briefings and speeches as a concrete example of a planned initiative to improve the efficiency and/or economy of the operations of its services.

This tool, already in use in a most Commission services, was implemented in DG MOVE in May 2016. Introduction followed intensive preparations in the beginning of the year, including initial training of almost 200 staff. The introduction of BASIS helped ensure that an increasing number of briefing and speeches (a total of more than 650 requests in 2016) could be handled in an efficient and timely manner despite limited resources. All briefings and speeches were delivered in time for the relevant event, despite around a quarter of all deadlines being 5 working days or less. The introduction of a corporate IT-tool also facilitated knowledge sharing and increased consistency of the delivered output.