



2016

Annual Activity Report

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



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THE EASME IN BRIEF

Executive Agencies are established by the Commission in accordance with Council Regulation (EC) No 58/2003¹ with the purpose of delegating certain tasks relating to the management of Union programmes, including budget implementation. This enables the Commission to focus on its core activities and to dispose of sufficient technical expertise for the management of such programmes with the goal to achieve a more efficient implementation.

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

- the Framework Programme for Research and Innovation (Horizon 2020) 2014-2020;
- the Programme for the Competitiveness of Enterprises and small and medium-sized Enterprises (COSME) 2014-2020;
- the Programme for the Environment and Climate Action (LIFE) 2014-2020;
- the European Maritime and Fisheries Fund (EMFF);
- the legacy of the Competitiveness and Innovation Programme (CIP) 2007-2013 limited to the following parts³: "Intelligent Energy Europe Programme (IEE II)" and the "Eco-innovation initiative".

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

The Agency has its own legal identity and its tasks are specified in the Act of Delegation⁴. This means that EASME implements the delegated programmes autonomously with the Director acting as Authorising Officer by Delegation (AOD). EASME, like the other Executive Agencies, implements the EU programme budgets under direct management (Article 58.1a and 62.2 of the general financial regulation). To this end, the Agency mainly awards grants through open calls for proposals while a small, but increasing, share of the programmes' budgets is also implemented through procurement contracts.

The Agency has its own administrative budget for which it receives from the EU an annual subsidy (in 2016: EUR 35,849 million). The administrative budget covers the running costs of the Agency, mainly staff expenditure, office related costs, IT and other services. The EASME's Director is the authorising officer (AO) for this budget.

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

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

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

⁴ Commission Decision C(2013)9414 of 23 December 2013 delegating powers to the Executive Agency for Small and Medium-sized Enterprises with a view to performance of tasks linked to the implementation of Union programmes in the field of energy, environment, climate action, competitiveness and SMEs, research and innovation and ICT, comprising, in particular, implementation of appropriations entered in the general budget of the Union as amended by Commission Decision C(2014)4636 of 11 July 2014, Commission Decision C(2014)6944 of 2 October 2014, Commission Decision C(2015)651 of 12 February 2015, Commission Decision C(2016)3684 of 17 June 2016.

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

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

The year 2016 has been a year of changes in the management of the Agency. Following the retirement of the Director in August 2016, the Acting Director took the steering wheel.

At the same time, the Agency continued to grow: the staff number increased further to cope with the increasing workload and counted 417 staff by the end of the year. This represents 95% of the 437 staff foreseen by the establishment plan for 2016 and means a growth of 12% compared to the staffing level at the end of 2015. Given the rapid growth of the Agency, a revised organisational structure has been designed and takes effect as from 1 January 2017.

EXECUTIVE SUMMARY

The Annual Activity Report is a management report of the Director of EASME to the College of Commissioners. It is the main instrument of management accountability within the Commission and constitutes the basis on which the 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 Treaties⁵.

Implementation of the Agency's Annual Work Programme – Highlights of the year

In 2016 the Agency continued to grow and reached cruising speed in the implementation of the new programmes. Since 2015 the Agency is responsible for the full project cycle of the delegated programmes.

Under the **COSME** programme several platforms and networks were set up, which offer a variety of services to companies: the European Cluster Collaboration Platform, the Digital Entrepreneurship Monitor, the Strategic Policy Forum on Digital Entrepreneurship and the European Entrepreneurship Education Network. As for the Erasmus for Young Entrepreneurs (a cross-border exchange programme for entrepreneurs) a new system of multiannual grant agreements and bigger consortia was introduced, leading to efficiency gains. In the area of intellectual property a new IPR-hub website became operational; it offers services to EU SMEs facing intellectual property challenges in China, Southeast Asia and Latin America.

The success, experienced in launching the pilot project '**Fast Track Innovation**' as well as in three years of the implementation of the **SME Instrument**, is particularly noteworthy, as the expected impact is to boost Europe's competitiveness in cutting-edge innovative areas and generate growth and jobs. The investments made in SMEs also aim to introduce innovative solutions to save energy, make our cities smarter, improve health services – in other words finding solutions to the societal challenges that we as European societies are facing. An analysis of the first years of its operation showed that the SME Instrument has not only helped companies in reaching the market, but also allows sustainability, by generating employment and attracting private funding. It also helps to reduce the risk for investors.

Funding under the SME Instrument will be deployed incrementally. It has been foreseen that a minimum of 7% of both the Horizon 2020 Societal Challenges and "Leadership in enabling and industrial technologies" will be distributed through the SME Instrument – which represents roughly EUR million 400 per year for the period 2014-2020.

The H2020 Energy Efficiency market uptake projects launched in 2016 are expected to generate more than 140,000 tonnes of oil equivalent (toe)/year of energy savings, and the expected investment triggered by these projects will likely exceed MEUR 400.

The first results of other new programmes are encouraging as well. For instance, the projects selected under the **Horizon 2020 Energy Efficiency** calls cover the full innovation cycle from research to market uptake. The objective of these close-

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

⁵ Article 17(1) of the Treaty on European Union.

The 2016 calls for **Climate action, environment, resource efficiency and raw materials** addressed important issues such as climate services, towards a low carbon Europe, nature based solutions for territorial resilience, water, raw materials, earth observation and cultural heritage.

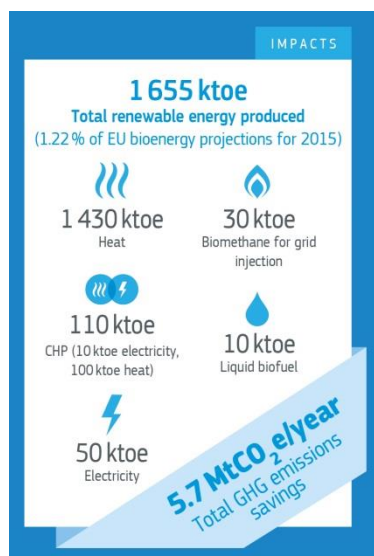
The same approach is also echoed in the **LIFE**

programme: since 2016 the call for proposals even explicitly encourages environmental projects from businesses to prepare a wider market uptake and to get commercial. They can do so for instance by increasing the sales of environmentally friendly products, making their production more resource efficient, while creating more jobs within their business. The Agency has reinforced this close-to-market approach after very positive feedback from the CIP Eco-innovation programme.

LIFE calls for the “Nature and biodiversity” Theme show that the number of successful projects linking their activities to the results of EU-funded research projects has increased from a share of 5% in 2014 to a share of almost 32% in 2015

It has been a very dynamic and resource-intensive year also for the implementation of the **European Maritime and Fisheries Fund (EMFF)**. While it is too early to speak about the impact of the programme, first results in 2016 include the delivery of the Ocean Energy Strategic Roadmap, which will guide future investment in ocean renewable energy, the provision of scientific and socio-economic advice to support fisheries management (six studies published in 2016) and the progressive development of a comprehensive and publicly accessible high quality marine data and knowledge base (EMODnet). The launch of 3 Blue Growth calls (Blue Careers, Blue Labs and Blue Tech) with Commissioner Vella and MEP Meisner as key note speakers was another highlight, resulting in high-demand for support to boost skills, creativity and technology for jobs and growth in the blue economy.

On top of the new programmes, the Agency continued to monitor 293 projects under the **Intelligent Energy Europe (IEE)** and **Eco-Innovation** programmes. This 'legacy work' not only requires a close project monitoring but also continued efforts in providing feedback on the results of these projects, to create in the future a favourable policy for the sustainable environment and economy in the EU.



Maintaining the success of previous years, the Agency organised three **major events** during the year: the 11th [EU Sustainable Energy Week](#) (EUSEW) in June, an Innovators' Summit in October and the Annual Conference of the Enterprise Europe Network (EEN) in November in Bratislava.

The EUSEW High Level Policy Conference attracted more than 2000 participants and included 52 sessions. 4 successful sessions of the policy conference have been organised by the Agency in collaboration with DG Energy to showcase projects results, among others, on the following topics: SMEs, consumers, buildings and financing. A high level jury chaired by MEP Jerzy Buzek awarded outstanding sustainable energy projects. Vice-President Šeřčovič and Commissioner Arias-Cañete outlined the Energy Union package and upcoming political priorities.

The Enterprise Europe Network ([EEN](#)) [Annual Conference](#) is a key Network event gathering almost 800 delegates, participating in 41 sessions, 970 bilateral meetings. The agenda featured start-ups and scale-ups, innovation and much more. The Network mapped out a future vision and star SMEs talked about their companies and success. During the event the Network recognised successful companies that have surpassed expectations and seized the unparalleled businesses opportunities in the EU Single Market.

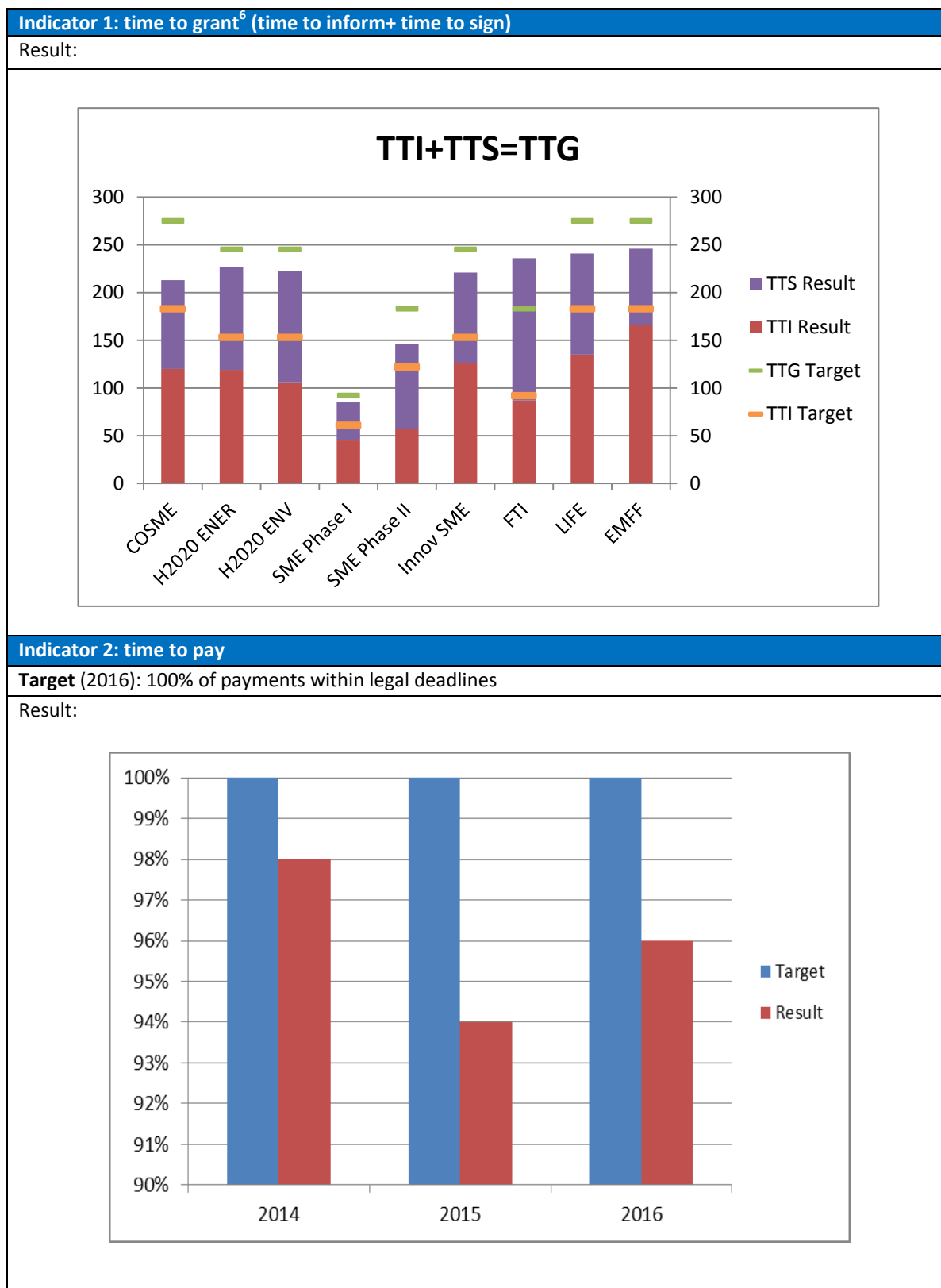
75% of the online survey respondents considered the Annual Conference "worth their time";
Almost two thirds of the respondents declared having done more than 10 new contacts during the event;
Over 400 delegates participated in the 970 formal business meetings organised at the matchmaking activity;
The event registered over 11 000 networking connections among participants;
105 speakers involved in the conference activities.

In October, during the [Innovators' Summit](#), more than 600 participants had the chance to network with business partners and investors while at the same time learning and exchanging business experiences and catching up with the latest SME instrument services. The event brought together 437 SME Instrument beneficiaries, 50 European Institutions, 59 Investors and large companies. The Summit has the potential to become a leading innovators event where highly disruptive companies can learn, exchange and get guidance, participate in networking and peer-learning sessions, get inspired and gain experience.

"Thank you for a great summit – very well organized, very inspirational and good contacts and possibilities for future cooperation" Kasper Engstrøm Lyhne Project Manager, Partner SAFE Green Logistics A/S (Denmark, SME Instrument beneficiary)

Key Performance Indicators (KPIs)

In 2016, the Agency continued to ensure an efficient delivery of programmes. In performing the tasks delegated to it, the Agency aims at the best possible performance. The following indicators measure the most critical aspects of the Agency's performance.

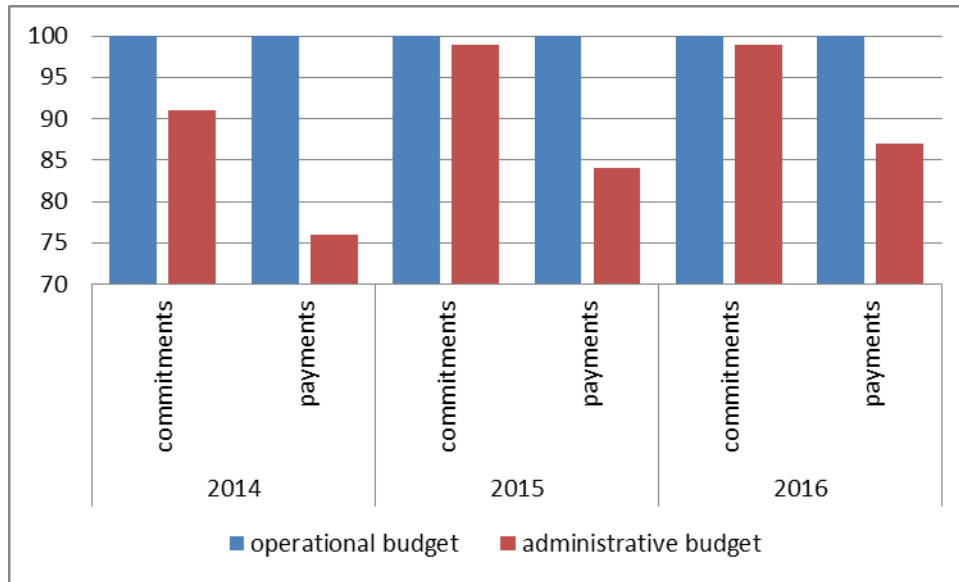


⁶ The numbers in the table represent the average time to grant.

Indicator 3: % of budget execution (commitments and payments) with respect to budget appropriations

Target (2016): 100% (commitments and payments) for operational and operating budget

Result:



Indicator 4: residual error rate in financial transactions

Target (2016): IEE II, Eco-inno, EEN, COSME, LIFE, EMFF: less than 2% of the total budget for grants per programme; H2020: as close as possible to 2% (within the range of 2-5%) (as per H2020 audit strategy)

Result:

	2014	2015	2016
IEE II	1,9	2,45	3,8
Eco-I	1,0	1,46	6,0
EEN	1,8	1,67	1,67

Results of the audits of the newly delegated programmes to the Agency (H2020⁷, COSME, LIFE and EMFF) were not available as of 31/12/2016 since these programmes had not yet reached the corresponding level of maturity. Therefore, no error rates of these programmes were available.

Indicator 5: number of critical / very important accepted audit recommendations (made by ECA and IAS) overdue for more than six months

Target (2016): None

Result:

No critical or very important accepted audit recommendations were overdue longer than six months

Table 1: KPIs

The average **time to grant**⁸ for all programmes managed by the Agency (except the Fast Track Innovation) was within target. As regards the Fast Track Innovation pilot, EASME experienced difficulties in the beginning of launching the pilot programme. The signature of the Grant Agreements of the first cut-off date (in 2015) resulted in

⁷ For H2020, given the stage of the programme lifecycle, very few cost claims were received by the services before the second half of 2016. The first indications for the error rates (detected, representative and residual) are expected for the next annual report.

⁸ For more information please see annex 12

maximum 504 days, the second cut-off date in 425 and third cut-off date in 298 days. The results from the cut-off dates in 2016 significantly improved: 90% of the grant agreements (28 projects) were signed in 237 days (on average).

Overall, there is a positive trend in the TTG for the calls of 2016, compared to the 2015 calls. Teething problems that the Agency experienced at the early stage of the SME Instrument implementation have been addressed. It should be noted that the targets for TTG for the SME Instrument are more ambitious than for other parts of the programme. Given that the H2020 SME instrument handles approximately one quarter of all the H2020 applications, the results can be seen as encouraging.

As regards **payment** times, 96% of all payments respect the legal time limits set up by the Financial Regulation, despite an increase of 32% of the total number of financial transactions executed in 2016 compared to 2015.

In 2016, the Agency continued to ensure an efficient delivery of programmes, being in full compliance with the principles of sound financial management. The operational **budget** was fully implemented, while the implementation of the administrative budget was committed for 99%, payment implementation amounted to 87%. (For more information please see Chapter 2.1)

The multi-annual **residual error rate** was below 2% for CIP EEN programme managed by the Agency. However, the multi-annual residual error rates for the IEE II and CIP Eco Innovation programmes were about the targets. Mitigating actions have already been established aiming to reduce the multi-annual error rate (for details please see part 2).

Finally, for the third year in a row, the Agency did not have **any critical or very important** audit recommendations overdue for more than six months.

Key conclusions on Financial management and Internal control

In accordance with the governance statement of the European Commission, EASME staff 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. EASME has assessed the effectiveness of its key internal control systems during the reporting year and has concluded that the internal control standards are effectively implemented. Please refer to AAR section 2.1 for further details.

In addition, EASME 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. Further details can be found in Part 2.1 for further details.

The multi-annual residual error rate was below 2% for CIP EEN programme managed by the Agency. However, the multi-annual residual error rate for the IEE II and CIP Eco

Innovation programmes was above 2.0%, at 3.8% and 6.0% respectively. With regards to the newly delegated programmes (H2020⁹, COSME, LIFE and EMFF), results of ex-post audits were not available as of 31/12/2016 since these programmes had not yet reached the corresponding level of maturity. Therefore, no error rates of these programmes were available.

Due to the relatively low number of payments on the IEE II and ECO Innovation projects, 3.9% and 1.4% respectively of the total payments performed by EASME in 2016, the impact of the increased error-rates to the amount at risk over the total payments performed by EASME is very limited. Mitigating actions have already been established aiming to reduce the multi-annual error rate for the CIP IEE II and Eco Innovation programmes (for details please see part 2).

As mentioned above, the Agency did not have critical or very important audit recommendations overdue for more than six months.

In conclusion, EASME management has reasonable assurance that overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Acting Director, in his capacity as Authorising Officer for the administrative budget and Authorising Officer by Delegation for the operational budget, has signed the Declaration of Assurance albeit qualified by two reservations concerning the CIP IEE II and CIP Eco Innovation programmes (Budget line: 32.04 53 00 and 02.04 53 00 respectively).

Information to the Commissioners

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

⁹ For H2020, given the stage of the programme lifecycle, very few cost claims were received by the services before the second half of 2016. The first indications for the error rates (detected, representative and residual) are expected for the next annual report.

1. IMPLEMENTATION OF THE AGENCY'S ANNUAL WORK PROGRAMME

The Agency's 2016 Annual Work programme (AWP) was adopted by the Agency's Steering Committee on 15 April 2016¹⁰. The work programme lists the main activities and outputs of the Agency that contribute to the achievement of the objectives as defined by the parent DGs. This part highlights the key achievements under the different programmes delegated to the Agency. Exhaustive reporting on the achievement of the targets as planned in the AWP can be found in annex 12.

1.1 COSME

The Programme for the Competitiveness of Enterprises and small and medium-sized Enterprises (COSME)¹¹ – is the Union's programme to strengthen the competitiveness and sustainability of the Union's enterprises and to encourage an entrepreneurial culture and promote the creation and growth of Small and Medium-sized Enterprises (SMEs). According to the legal base, the overall indicative budget for the seven-year period of COSME (2014-2020) is EUR 2.3 billion. The 2016 COSME Work Programme was adopted on 18 January¹² and revised in July 2016¹³. The Agency is entrusted with the implementation of actions under the four following objectives of the COSME programme:

1. To improve access to finance for SMEs in the form of equity and debt

During the year the Agency signed a specific contract for the production of case studies. By the end of the year the 5 case studies were finalised. They cover mainly COSME Loan Guarantee Agreements signed between the European Investment Fund and financial intermediaries. EASME will promote the cases studies on the web, via social media and other means in 2017.

2. To improve access to markets, particularly inside the Union but also at global level

In 2016, EASME published 5 calls under this objective. EASME received 7 proposals under the call for tender "*EU presence in international fairs*". The implementation of the contracts has started.

The Agency launched two restricted calls for proposals with regards to the second phase of the Enterprise Europe Network (2017-2018) and the new pilot action dedicated to Enterprise Europe Network (EEN) namely "*Support start-up SMEs to exploit the Single Market business and innovation opportunities*".

In the meantime, three EEN Sector Groups focusing on the automotive sector, aeronautics and the maritime sector, signed a memorandum of understanding with the H2020 National Contact Points (NCPs) for Transport (ETNA2020). The agreement is one of a series of initiatives for closer collaboration between EEN Sector Groups and relevant NCPs, designed to create a more coherent support offer at regional/national level for SMEs.

¹⁰ Ares(2016)1790593

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

¹² Commission Implementing Decision C(2016) 63 final of 18/01/2016 on the adoption of the work programme for 2016 and the financing for the implementation of the Programme for the Competitiveness of Enterprises and small and medium-sized enterprises.

¹³ Commission Implementing Decision C(2016) 4344 of 14/07/2016

In a move that brings the EEN into Central Africa and further into Asia and to increase the number of third countries actively represented in EEN, Cameroon, the Philippines and Nigeria have officially been admitted as a Business Cooperation Centre. Furthermore, the 2015 performance report of the Network's Business Cooperation Centres shows a substantial increase in the level of activities and the efficiency of Network partners outside the EU and indicates a sustained level of high quality cooperation between European and non-European Network partners for the benefit of European SMEs. This is shown by the fact that the share of partnership agreements achieved by Business Cooperation Centres has almost doubled, compared to 2014.

The EEN Annual Conference 2016 was held on 14-16

November in Bratislava as part of the Slovak EU Presidency programme. The event brought together 797 registered delegates from 60 countries.

During the event the Network recognised successful companies that have surpassed expectations and seized the unparalleled businesses

opportunities in the EU Single Market. The awards are given across three key categories:

- The **New Partnerships** Award was given to Aquabion GmbH from Germany and Rabmer GreenTech in Austria after the Network facilitated contact between the two SMEs. Aquabion GmbH's turnover has increased by 10-15 % while both business have hired new personnel.
- The **New Directions** Award was presented to Germany's Novihum Technologies which, thanks to the Network, was able to access funding from the SME Instrument and develop a production plant for its new business and hire 20 new people.
- The **New Horizons** Award honored Smartive from Spain which was also able to access funding from the SME instrument after guidance from the Network. They used the funds to expand their market share which is expected to increase the company's annual turnover from EUR 500,000 to EUR 5,000,000 in 2019.

From [the nine finalists competing for the awards](#), four businesses received funding from the SME Instrument, which provides about EUR 3 billion in funding over the period 2014-2020 in order to help high-potential SMEs to develop groundbreaking innovative ideas for products, services or processes that are ready to face global market competition.

As regards intellectual property rights (IPR) actions, the 2016 stakeholders' meeting of the European, China's, South-East Asia's and Latin American IPR Helpdesks gathered over 70 representatives of organisations based in Brussels interested in developing cooperation opportunities in the area of intellectual property support for SMEs. At this occasion, the new [IPR-hub](#) website, which creates a single entry point for all EU SMEs facing Intellectual Property challenges in China, Southeast Asia and Latin America, was presented. The new site facilitates access to IPR-related information for SMEs with activities in important regional markets. EU SMEs can access the helpline operated by the three international IPR Helpdesk managed by EASME.

Moreover, the publications developed by the Helpdesks and information about events and training sessions on Intellectual Property can also be found through the IPR-hub website.

3. To improve framework conditions for the competitiveness and sustainability of Union enterprises, particularly SMEs, including in the tourism sector

In the framework of the delegated tourism actions the Agency organised the 11th EDEN Network meeting on 26 October 2016 in Mellieħa, Malta. The event was co-organised with the Mellieħa Local Council in cooperation with the EDEN¹⁴ Network Association. Since 2008 the European Commission, in cooperation with the EDEN Network Association, organises one annual EDEN Network meeting for all EDEN winning and runner-up destinations, national EDEN project officers and EDEN Ambassadors. These meetings gather participants from 26 participating countries and aim at sharing best networking practices, exchange information and knowledge on tourism development and awarding best innovative practices among the EDEN destinations.

The call for proposals "*Design based consumer goods*" (with an available budget of EUR 4 million) resulted in 10 projects (four ongoing projects, which started in April and six new partnerships, which will start in 2017). During the kick off meeting in April the 8 SMEs partner representatives, mainly CEOs, presented the storyboard of their project and shared their innovative ideas on the different market uptake initiatives and market replication projects co-funded by this COSME scheme.

In the frame of the Cluster related actions the following activities took place during the reporting year:

- EASME organised with DG GROW the launch event for the newly established "*European Strategic Cluster Partnerships - Going International*" (ESCP-4i). There were 100 participants including representatives from 24 Cluster Partnerships.
- The first matchmaking *Cluster to Cluster* event took place on 25 and 26 April. A delegation of 34 EU clusters and 38 US clusters met in Hanover Messe and attended a high level seminar.
- The "Cluster Excellence" call published early 2016 attracted 13 proposals out of which the Agency awarded 5 proposals for an amount of EUR 995.565. This action intends to strengthen cluster management excellence in the EU and to provide more professional business services to the European SMEs through clusters.
- In the context of "*Supporting international cluster and business network cooperation through the future development of the European Cluster Collaboration Platform*" the fourth European Cluster Collaboration Platform (ECCP) event was organised in Lyon in November. This event aimed to promote collaboration between European and Brazilian clusters, business associations and SMEs. In total 23 EU participants and their 37 Brazilian counterparts met and discussed the perspective of business partnerships promotion and the strengthening of cluster collaboration between the two sides.
- The EU-IRAN Cluster Cooperation Event in Tehran, Iran, in October marked an important step in building mutually beneficial cooperation. The ceremony gathered over 90 participants amongst which EU clusters, European industrial federations, Iranian counterparts and high-level speakers. This event took place within the context of the EU Economic Mission led by Commissioner Bieńkowska. During this mission, there were representatives from 14 European clusters and about 10 European industrial federations covering several key sectors of common interest (incl. biotech, automotive, raw materials, tourism, textile, construction and GreenTech). They had the opportunity to meet each other in Iran, and benefit from on-the-ground knowledge via several sectoral site visits organised by six EU Member States' embassies in Tehran. This reinforced the partnership between the Commission, Member States and EU business organisations.

¹⁴ European Destinations of Excellence

As regards the European resource efficiency self-assessment Tool for SMEs, the project has entered in its last phase: the testing of the Tool. The Tool's questionnaires are translated into 12 languages in order to facilitate the testing process. The Tool is ready to be tested by 500 European SME's.

As part of the "eSkills for Jobs" online campaign, the viral clip "[eSkills \(not only\) for jobs](#)" was produced and the web and social media campaign "My digital job" launched. The viral clip has already nearly 5,000 views on Facebook.

EASME organised the "Europe in Digital Era" conference on 17 – 18 October in Bratislava. The event took stock of the [e-Skills campaigns](#) conducted by DG GROW and EASME: over 5,500 events were organised in all Member States, attended by 3,4 million people since 2010.

4. To promote entrepreneurship and entrepreneurial culture

EASME received 3 proposals in response to the European Network for Early Warning and for Support to Enterprises and Second Starters call, out of which 1 project was selected with a budget of EUR 3,595,690.00. The official kick-off is planned for February 2017 where all 15 partners will be present. In the meantime, some of the partners have already launched the preparations at the national level seeking for volunteers working as mentors and trainers.

WEgate is a one-stop shop for women's entrepreneurship, bringing together not only women entrepreneurs, but also their mentors, policymakers and all relevant stakeholders and supporters, forming a community through a directory of registered users and online networking and exchange tools. WEgate had more than 10,000 unique visits during its first month online. The Directory includes more than 400 registered users, including entrepreneurs, organisations and mentors and ambassadors, from 39 countries (EU, COSME and other European countries) and from 25 sectors.

The call for proposals on *Migrants Entrepreneurship* was published in September. The call's objective is to support the creation, the improvement and the wider dissemination of support schemes for migrant entrepreneurs in order to help migrants to become self-employed and build a successful enterprise (profit-generating and/or with social objectives). EASME received 53 proposals, which are now under evaluation.

In September EASME and DG GROW launched the European e-platform for women entrepreneurship "[WEgate](#)". The agenda included a keynote speech by the Director General Lowri Evans and Angelika Mlinar, MEP, member of the FEMM Committee. The round table with successful women entrepreneurs and WEgate Ambassadors focused on "Web entrepreneurship and digital business".

In 2016 the Agency monitored the work of 32 [Erasmus for Young Entrepreneurs](#) (EYE) projects. More than 800 new/young entrepreneurs benefited from a stay of several months abroad in another COSME participating country where they were hosted by experienced entrepreneurs to learn how to become more entrepreneurial, run a business etc. Many of those have firm intentions to start a business. Others have gained valuable knowledge how to consolidate theirs.

Following the 2015 call for proposals, the Agency concluded grant agreements with 17 EYE projects that started in February 2016. Following a call for proposals in early 2016 for long-term Framework Partnership Agreements, the Agency awarded 10 international consortia with FPAs that will last until 2021. The EASME also launched a procurement procedure to select the future Erasmus for Young Entrepreneurs' Support Office, an external contractor who helps the Agency and the European Commission in the day-to-day management of the programme.

Examples of the COSME programme's projects

The [European Cluster Collaboration Platform](#) (ECCP) is a service facility aiming to provide cluster organisations with modern tools in order to make efficient use of networking instruments, develop collaboration trans-nationally, support the emergence of new value chains through cross-sectorial cooperation, access the latest quality information on cluster development and improve their performance and increase their competitiveness.

On 8 March the new European Cluster Collaboration Platform was launched in Brussels in the presence of a large European and international community of cluster organisations and stakeholders. Currently there are more than 460 clusters registered on the platform in order to present themselves, their structures, services, experiences and above all, their interest in cooperation with peers.

DTM Project: Advanced technologies are currently driving what has been labelled as the "fourth industrial revolution", with the potential of transforming EU industries with a significant social, economic and environmental impact. This smart transformation of EU business and society presents an enormous growth potential for Europe. In 2016, the *Digital Entrepreneurship Monitor* aimed for Europe to seize this opportunity, by focusing its activities around three high-impact deliverables.

The [Strategic Policy Forum on Digital Entrepreneurship](#), which served as a think tank for business, academia, international organisations and policy makers to shape a vision for the digital transformation of European industry, has completed its 2 years mandate with great success and has been instrumental in shaping main EU policy directions on digital transformation. All reports of the four working groups of the Forum were published online and an extensive dissemination campaign was organised.

The European Entrepreneurship Education NETWORK (EE-HUB) took major steps towards becoming a leading platform for entrepreneurship education in Europe. The project strengthened the relationship between organisations working in the field through a collaborative work among several experts that worked on the dissemination of 66 good practices. The platform was also used as an important vehicle for dissemination of work that was done at European level (e.g. [Furydice's report on entrepreneurship education in Europe](#)).

1.2 Horizon 2020

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

1.2.1 Innovation in SMEs

Succeeding similar activities within the Competitiveness and Innovation Framework Programme (CIP), the Agency is entrusted with the part of Horizon 2020 (H2020) that is related to the specific objective "Innovation in SMEs" of "Part II Industrial Leadership": *stimulating sustainable economic growth by increasing the levels of innovation in SMEs, covering the multiplicity of needs throughout the innovation cycle for all types for innovation, thereby creating more fast-growing, internationally active SMEs.*

In 2016, the Agency published 6 calls for proposals under H2020 "Innovation in SMEs" as planned in the 2016 Work programme (For details please see annex 12).

The pilot call for the European SME Innovation Associate, which seeks to improve mobility between highly qualified researchers in academia and SMEs, is currently being implemented. Following intense communication efforts the Agency received around 200 applications out of which 71 were selected for funding. Each project will finance the employment of a PhD holder in an SME for one year. This will allow the SME to develop an innovation project with significant market potential. A supplementary training programme for SMEs and innovation associates will also ensure a smooth transition for the innovation associates from the academic world into the framework of industrial innovation.

European Commission

Horizon 2020 SME Innovation Associate

Matching talented researchers and business

Under 'Horizon 2020', the European Union's Research and Innovation Programme, a new pilot action will support 90 SMEs hire a researcher to bring their brilliant idea to life.

Who is it for?
→ highly skilled researchers looking for new opportunities
→ dynamic SMEs and start-ups with innovative ideas

SMEs

1) Do you have a brilliant idea but still looking for an 'associate' helping you realise it? **YES!**

2) Have you considered looking in the international research job market to find your best candidate? **YES!**

3) Do you think you could integrate him/her into your team thus mutually boosting skills & outputs? **YES!**

PHDs

1) Are you a highly skilled researcher looking for new job opportunities and challenges abroad? **YES!**

2) Are you an expert in your field but lack industrial innovation and business management skills? **YES!**

3) Do you want to explore the potential of innovative ideas and possibly turn it into a long-term job? **YES!**

APPLY NOW

The VIP4SME project (IPorta2) was kicked off in March. The main goal of the project is to sustainably enhance Intellectual Property support services to SMEs (via tools, trainings, workshops and pilot actions). This challenge will be jointly addressed by 31 National Intellectual Property Offices (NIPOs) from EU member states and countries participating

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

in H2020 together with 22 local partners (mainly business support organisations). With a maximum grant of EUR 3 million this project has a duration of 4 years.

EASME received 97 proposals under the INNOSUP call on "*Cluster-facilitated value chains*" in the first stage of this call.

2 out of 3 lots of the call for tenders "*Capturing innovation impulses from emerging economies*" have been contracted. The aim of the project is to create a toolbox that enables innovation and trade promotion agencies (especially from the EEN) to provide better services to SMEs who want to engage in emerging markets with targeted innovation activities.

Example of Innovation in SMEs projects

[NEPTUNE](#) is a project that supports the development of new value chains in the Blue Growth sector with a cross-sectoral approach¹⁶. It is expected to support at least 100 European SMEs for the development of 40 new innovative solutions from the company creation to the reinforcement of the SMEs beneficiaries (e.g. deployment of e-services, improvement of the transmission grids infrastructure, reduction on energy demand related water processing and irrigation). The project brings together 10 of Europe's leading clusters from 7 countries and 2 additional innovation, creativity and inter-cluster expert organisations.

¹⁶ Water, Maritime, Aerospace, ICT, Microelectronics, Agrifood, Logistics, Creative Industries, Energy, and Mobility

1.2.2 SME Instrument

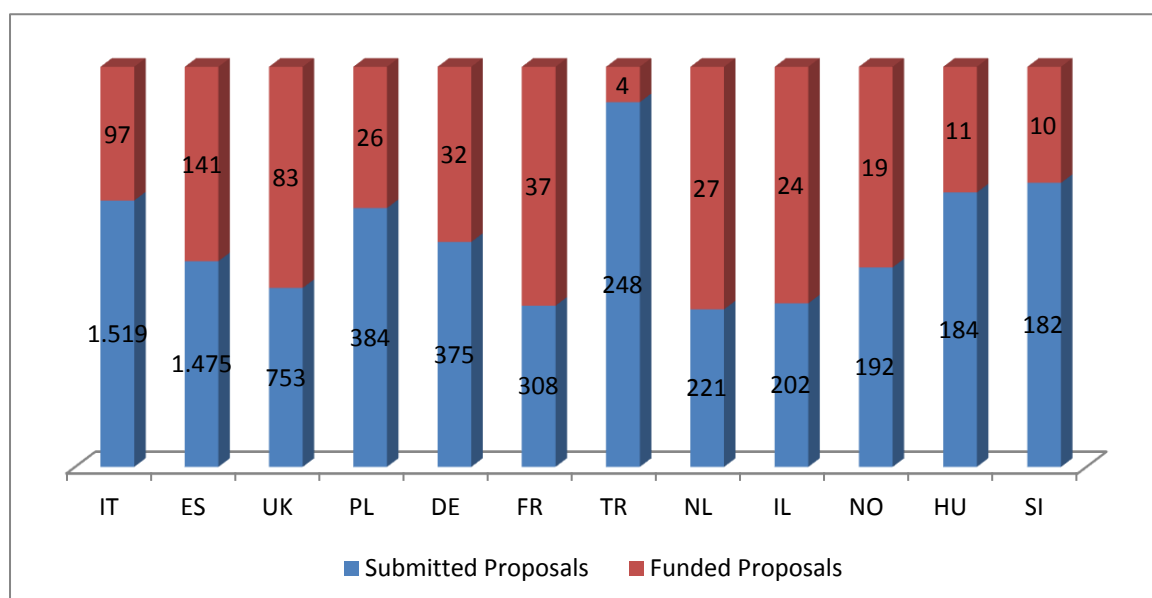
The SME Instrument is a new and innovative instrument for which the Commission has foreseen centralised management by the Agency. It is characterised by a continuously open call with 8 cut-off dates per year and by a bottom-up approach within a set of topics and within the frame of the H2020 societal challenges and enabling technologies.

The SME Instrument aims to help highly innovative companies with a realistic growth prospect to realise their innovation, development and growth strategy. The Instrument provides funding for close-to-market activities, i.e. activities where the development takes place under production conditions. This includes, for instance, small test series in order to prove the viability of newly developed prototypes, test production lines, or the validation of new products with respect to standards and regulations, miniaturisation of new products, etc.

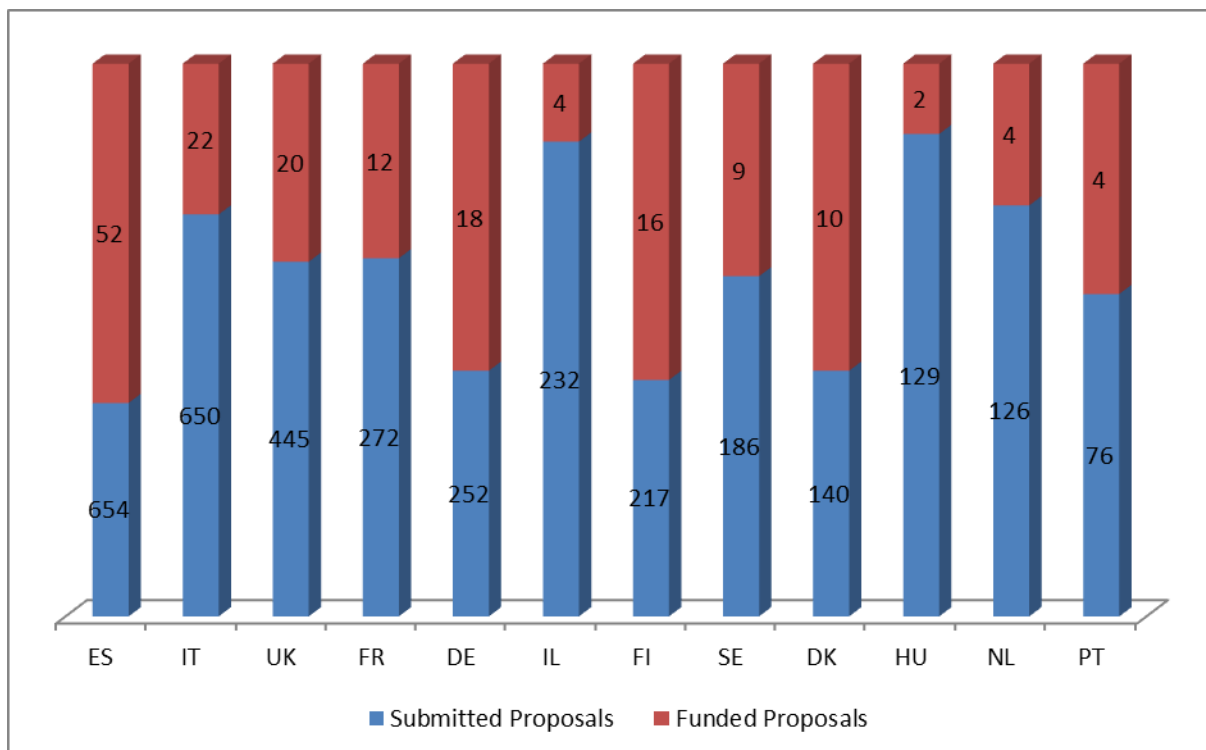
In 2016, the SME Instrument received 7,968 Phase 1 and 4,089 Phase 2 applications, out of which 698 proposals (740 companies) were funded in Phase 1 and 202 proposals (231 companies) in Phase 2, for an overall amount of EUR 354,982,600 (EUR 34,900,000 and EUR 320,082,600 for Phase 1 and Phase 2 respectively).

In 2016 the Agency monitored 900 projects of Phase I and 400 projects of Phase 2. In addition, 680 projects were finalised.

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



Graph 1: Phase 1 2016: SMEs' country distribution of proposals submitted versus proposals selected



Graph 2: Phase 2 2016: SMEs' country distribution of proposals submitted versus proposals selected

The distribution among the SME Instrument topics foreseen in the 2016-2017 Work Programme is strongly correlated with the assigned budget in each topic. Only the topic "Open Disruptive Innovation" is attracting a higher proportion of applications, which is not surprising given the increasing digitalisation of all industry sectors, as well as broad scope of the ODI Topic.

The overall process from application submission until the grant agreement is signed and the first financial support is given takes three months for Phase 1 and six months for Phase 2. The process of timely granting is ambitious and demanding. However, about 90% of Grant Agreements is signed within target. There are always several Grants Agreements that need more time to be finalised¹⁷. For instance, it is the case for the security topic (SMEInst-13-2016), which has a specific and longer security scrutiny procedure. Certain projects, especially under the health topic, need full ethics screening and a Commission decision, which extends the whole process. Moreover in some cases the SME validation can take a considerable amount of time.

Cut-off date (2016) ¹⁸	Number of days to sign 90% of Grant Agreements	Number of days to sign all Grant Agreements
SME-1-FEB	118	289
SME-1-MAY	93	227

¹⁷ In the Agency's risk assessment, the 'inability to achieve the Time-To-Grant for 100% of grant agreements' was identified as a risk since it suffices to have one grant agreement signed outside the reference period to fail on this objective. It should also be noted that the Agency is not responsible for all steps in the grant agreement preparations (ie. participant validation, security screening) and therefore cannot control the full process and its timeliness.

¹⁸ The results of the cut-off dates in June and October for Phase 2 applications are not available yet

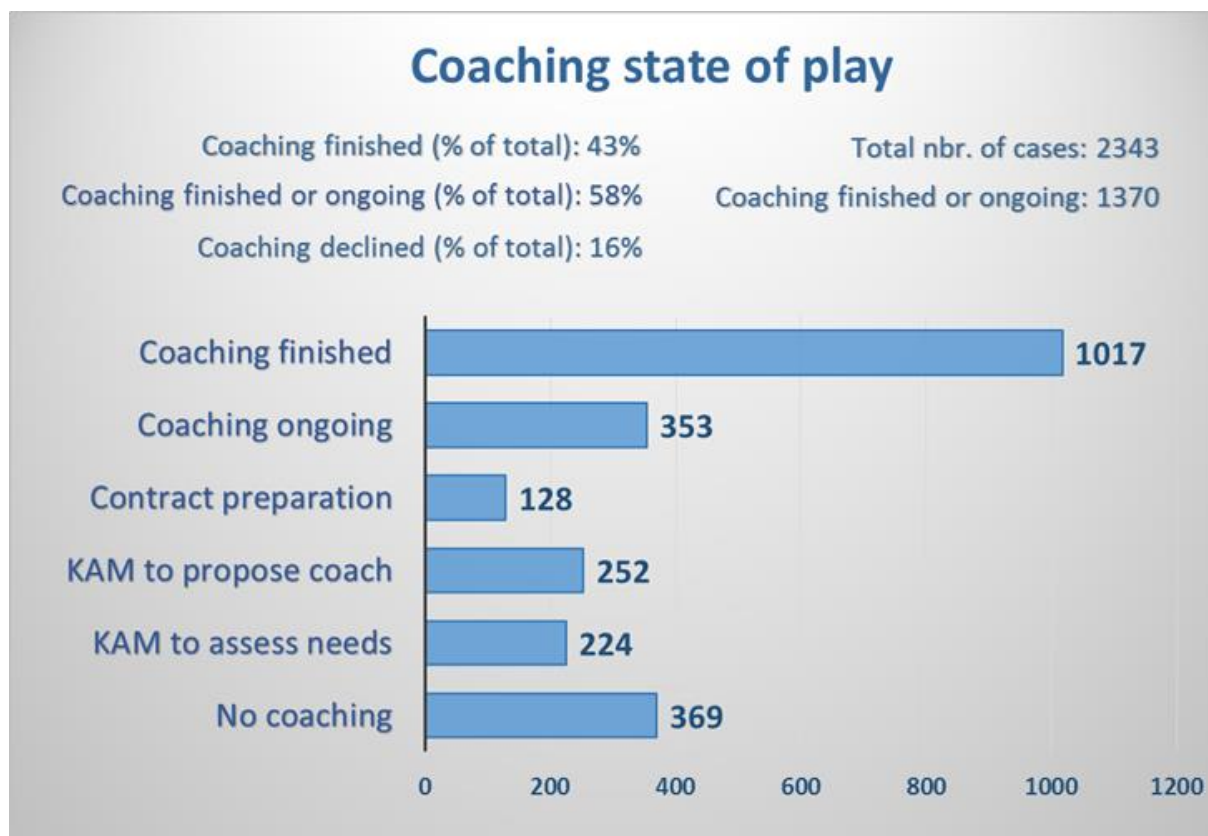
SME-1-SEPT	91	117
SME-1-NOV	87	114
SME-2-FEB	173	240
SME-2-APR	185	239
SME-2-JUNE	191	On-going

Table 2: TTG for the SME Instrument GAs for 2016 calls

Business Coaching

The SME Instrument Business Innovation Coaching aims to empower the SMEs towards the successful commercialisation of their project. The coaching considers all aspects of the company while implementing the innovation project. A coach encourages the company to reflect on its options, bring models to develop strategies, challenge self-assumptions, reflect on foreign markets and give access to the coach's business network.

Up until the end of 2016 2,343 potential coaching cases were registered that corresponds to the number of SME beneficiaries in the signed grant agreements. 1,370 (58%) cases were either finished or ongoing at the end of 2016. 16% of SMEs declined coaching. The remaining 26% are in coaching preparation phase (either coaching contract preparation, awaiting Key Account Managers (KAM) to suggest a coach or under the needs analysis by KAM).



Graph 3: Coaching state of play

From the start of the SME Instrument until the end of 2015, EASME issued 762 contracts for coaches. In the year 2016 the Agency concluded 1,213 contracts with same human resources available. This illustrates a significant increase in productivity and efficiency.

The SME Instrument coaching programme attracts highly qualified coaches from the European coaches population. Many coaches have successfully retired from their own businesses. The coaches are very positive about the SME Instrument scheme. They praise the scheme for its exceptional clientele, the high level projects and the diversity of coaching issues.

The community of Enterprise Europe Network (EEN) key account managers (KAMs) and coaches has developed further in 2016. In June EASME organised an event for 95 KAMs to exchange their experience and share activities with invited coaches. In September the Agency organised the second Coach Forum in Edinburgh, where 190 coaches in peer learning groups exchanged and developed coaching knowledge for the rest of the community.

The satisfaction of the companies about the coaching proves to be very high. The Agency received 480 evaluations from SMEs: 89 % of all companies report improvement of their business strategy and 95 % would recommend the coaching to other companies.

Business Acceleration activities (Phase 3)

The Work Programme 2016-2017 mentions 3 calls for tender dedicated support actions under Phase 3 activities:

- SME Instrument business community activities
- SME Instrument Academy
- Access to New Geographical Markets – Overseas Trade Fair Participation Programme

The contract on the Access to New Geographical Markets – [Overseas Trade Fair Participation Programme](#) was signed in June. The contractor started to organise the first 4 trade fairs: FOE - Fiber Optics Expo in Japan, Malaysia International Halal Showcase in Kuala Lumpur, IE EXPO in Shanghai and BIO international Convention in San Diego, US.

Moreover, the Agency facilitated the participation of SME Instrument beneficiaries in strategic events / trade fairs in cooperation with the DGs (especially DG RTD, CNECT and GROW) and the EEN. In total, 148 SMEs participated in 11 events, e.g: Mobile World Congress, Low Carbon Heat and Water International Showcase, Eco-Build, CEBIT, SME World Summit, etc.

The SME Instrument business community activities and the SME Instrument Academy were merged into one call which was published in December 2015 using an innovative competitive dialogue procedure. This procedure allows entering into interaction with tenderers and built together with them, through a competitive dialogue, a final service offer. The first dialogue stage with selected tenderers took place in March, the second one in May. The signature of the contract is delayed due to a complaint from a tenderer.

First results

In 2016 the Agency finalized a report "Catalysing European Innovation" summarizing the first two years of implementation of the SME Instrument.

The analysis showed that the SME Instrument is an extremely popular and targeted scheme, it has attracted 20,000 applications in 2 years, of which the large majority (88%) is new to EU funding. Quality of submitted proposals was constantly improving over time, while the SME Instrument remains a highly competitive programme, with a success rate (8% for Phase 1 and 6% for Phase 2) comparable to the selection rates of private investment funds and acceleration programmes offering "smart money".

** Spain and Italy are countries with the highest number of projects and Ireland was the most efficient in getting the SME Instrument funding with 16% success rate*

** Almost half of supported SMEs are micro-sized (1-9 employees) and almost a third are younger than 3 years. The ICT topic has the highest share of startups and young companies. NMP (Accelerating the uptake of nanotechnologies advanced materials or advanced manufacturing and processing technologies by SMEs) topic gathers the highest share of older and larger companies*

** 12% are spin-offs from Academia*

** According to data collected by KAMs for coaching needs analysis, manufacturing is the most represented economic activity while Software & IT services is the top target market among selected SMEs (15%). Most of the SMEs are in the seed or project-to-project stage. Getting new customers and distribution channels are a first priority for 44% SMEs*

The growth potential of the SME Instrument is recognised. 25% of the funded companies are in the Venture Radar's Top 10% of growing tech companies. Five SME Instrument beneficiaries are in the Deloitte 2015 Fast Growing enterprises ranking¹⁹.

The SME Instrument is popular among private investors. They have gathered EUR 692 million of private investment in total. The majority of these private investments took place within Northern Europe (the Netherlands, Finland, Sweden, Germany). Companies from Health and ICT (ODI) topics were the most successful in getting private funding: they received 68% of the private equity funding gathered by all SME Instrument beneficiaries.

SME Instrument funding allows companies to attract private investment 3 times faster: from EUR 35 million per year before the grant to EUR 108 million per year after the grant²⁰.

¹⁹ <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Technology-Media-Telecommunications/gx-deloitte-tmt-emea-fast500-2015-rankings.pdf>

²⁰ Report "Catalysing European Innovation": https://ec.europa.eu/easme/sites/easme-site/files/catalysing_european_innovation_-_easmes_report_of_the_first_two_years_of_implementation_of_the_sme_instrument_2014-2015.pdf

Examples of the SME Instrument projects:

Lingvist is an innovative Estonian SME in the language-learning sector. Lingvist's aim is to develop a language learning software making language learning 5–10 times faster.

The ultimate learning acceleration will be achieved by adding three completely innovative working principles to the language-learning methodology. Lingvist's system adapts in real time during learning sessions to match people progress and memory pattern, guaranteeing high efficiency for its users.

*"The H2020 programme, via the "SME Instrument", has been incredibly helpful in developing Lingvist. We are working on a game changing language learning platform that needs strong support from both public and private partners and we are very happy to have H2020 as one of our supporters." **Mait Müntel**, Lingvist, CEO*

The worldwide language learning industry was a EUR 43.5 billion market in 2013. Online learning accounts for EUR 2.15 billion today, but it is growing by 15% annually, with a strong potential to grow even faster. Lingvist is focusing on adult language learners in the European market currently, with the plan to expand to the US, Asian market and other customer segments soon.

Natural Grass: The EC funding Natural Grass was directed to the project ScalinGreen whose goal is the development of Innovative solutions to scale-up urban green surfaces

"One of the biggest challenges of a small company such as Natural Grass is the industrialisation of the process. The EC funding is helping us to overpass this vital milestone in order to scale up our company. Hence, SME Instrument came at the right moment to support our exponential development of the last months. It is helping us to become an international company selling our technology to some of the best football clubs in the world such as Real Madrid and Arsenal FC"

Bertrand Picard, Natural Grass CEO

such as green roofs or green parking slots. The solutions proposed by Natural Grass is AirFibr, the technology is composed of a 100% natural grass anchored in an innovative artificial rootzone, specifically developed for top-level sport turfs (soccer, rugby, American football, baseball, cricket, etc.) AirFibr is the first technology to provide at the same time:

resistance for intensive use, choc absorption for player's safety and flexibility for multifunctional use.

InPhoTech is a Phase 1 beneficiary. It joined the elite group of the Deloitte 2015 Technology Fast 500 SMEs Ranking with 250% growth rate. The company also won a prestigious contest "Initiator of Innovation 2016" organized by Newsweek and PwC.

*The SME Instrument is an important step for the final implementation and commercialization of our innovation. Above its measurable practical aspects, such us marketing research and feasibility study, make our idea more widely recognised, credible and prestigious. **Thomas Nasifowski**, InPhoTech CEO*

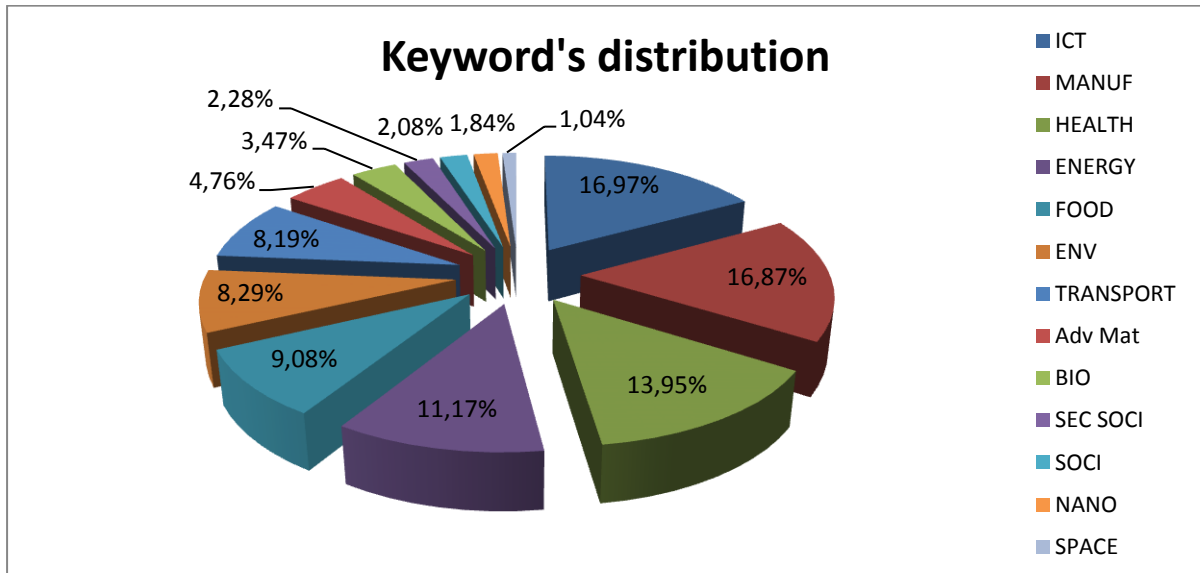
InPhoTech carries out modelling, fabrication, research and development of specialty optical fibres (including microstructured, photonic crystal, plastic and plastic microstructured), innovative optical fibre components and photonic devices. The company develops photonic technology for telecom, metrology, quality analysis, medical, mining, space, transport, safety and other applications.

1.2.3 Fast Track to Innovation pilot scheme

The Fast Track to Innovation (FTI) Pilot scheme 2016 call was published on 14 October 2015. The first cut-off date was on 15 March 2016. The Agency received 268 applications. For the second cut-off date on 1 June, 281 proposals were submitted, while the last cut-off date of the year, on 25 October, saw an increase of proposals up to 562.

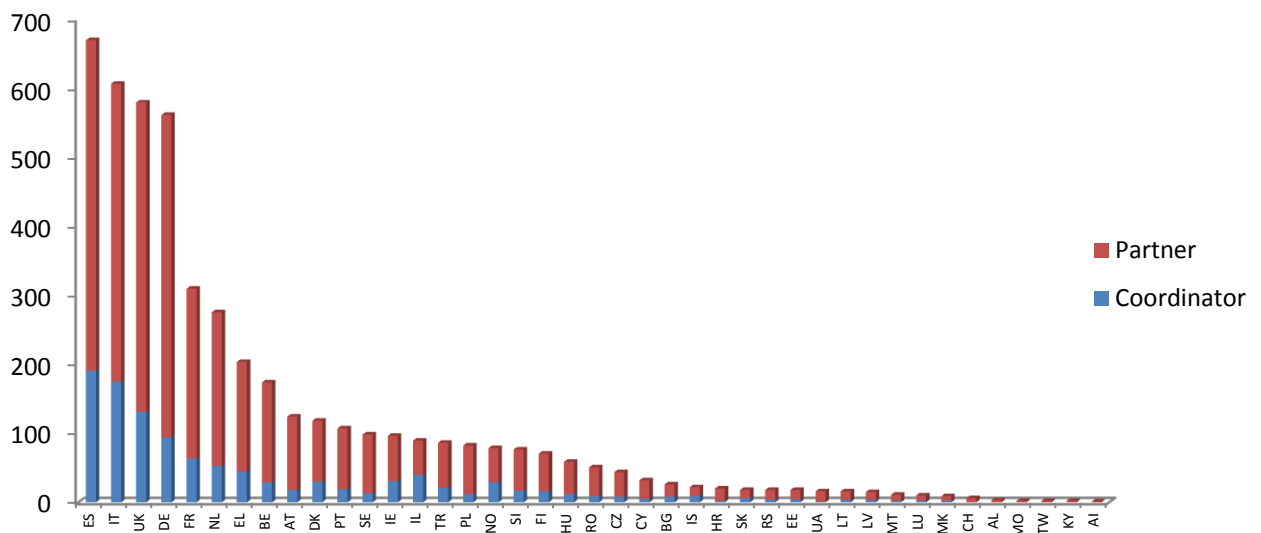
The FTI action is a fully bottom up scheme; no topics were pre-established. However, the use of a fixed keyword was implemented for submission of proposals in order to assist the Agency's services in better allocating proposals to experts with relevant expertise during the evaluation.

See below a breakdown of keywords distribution for the two years of the pilot:



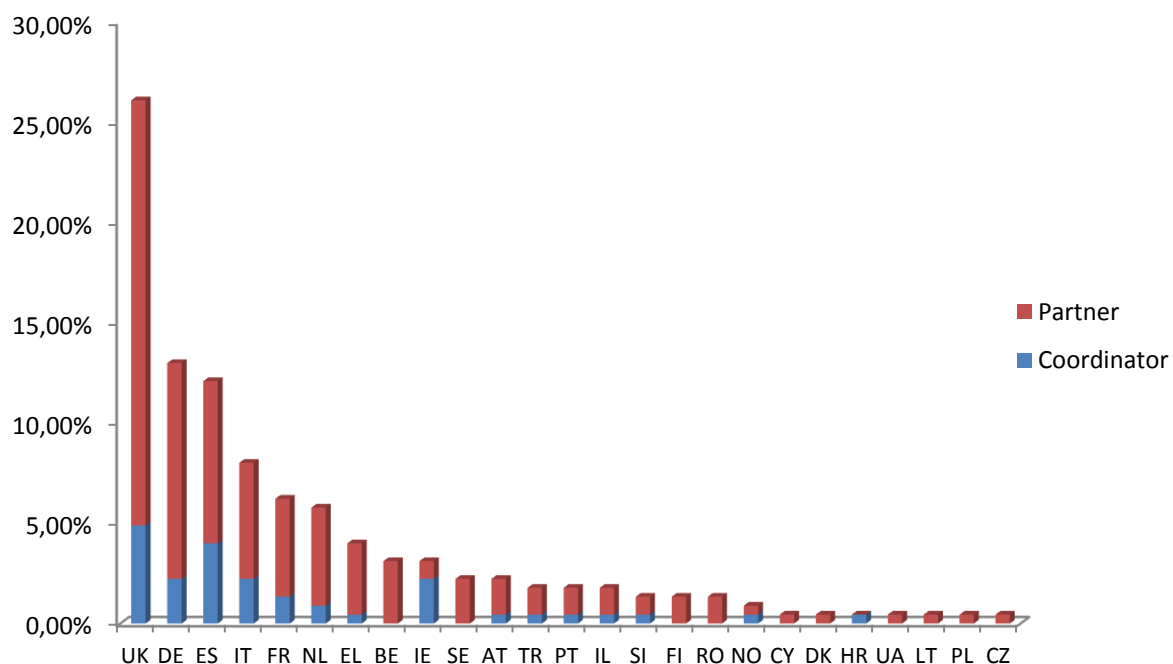
Graph 4: FTI: keywords distribution

As for the countries participation: Spain, Italy, UK, Germany and France are the top five countries as regards submitted proposals.



Graph 5: proposals submitted by countries

The country participation in funded proposals slightly differs within the same top five countries.



Graph 6: Countries funded proposals

A total of 4,839 participants (applicants) were involved in the 1,096 proposals submitted and evaluated for this action in 2016. 222 participants are involved in the 48 proposals were funded this year amounting to EUR 101 million.

2016 was the last year of the FTI pilot. The Commission launched an evaluation concerning the scheme. The Agency actively contributed to the assessment. During three months, the Agency held several interviews with the external contractors and DG RTD in order to provide a comprehensive overview of the evaluation and management of the 2015 selected projects. The assessment will result in recommendations in order to achieve the highest impact possible for the activity and will serve as a basis for the decision on whether to continue with FTI from 2018 onwards.

Examples of FTI projects

As the FTI Pilot kicked off only in 2015, many projects are still ongoing and their results will be seen in the coming years. Nevertheless, 2016 provided already a number of concrete projects that demonstrate clearly the added value of the pilot project in the current EU economic context:

- The main goal of the [MAGELLAN project](#) is to redefine the location-based experiences (LBEs) on mobile devices worldwide, by leveraging a codeless platform for the rapid and cost-effective creation and promotion of LBEs/games, harnessing a global ecosystem of authors. This FTI Pilot project is the result of the MAGELLAN FP7 results (now in its 3rd year) which allow two of the current consortium partners EXUS and DXT to push for the exploitation of the core of the MAGELLAN platform. The product already covers different market verticals, namely tourism, recreation (music and games), culture and the environment. The technological partner is already exploiting the product for industrial uses.

- The objective of the project [CARIM \(Carbon-Rim\)](#) is to design, develop and validate the first production process for high volume automotive wheel made exclusively in carbon fibre reinforced plastic (CFRP) using an automated preforming and high-pressure resin transfer moulding (HP-RTM) process chain. The project has significantly advanced during the first year of its implementation and has produced already the final prototype of the full carbon wheel, that is now expected to be submitted for final high-volume processing as well as submitted to all required homologations, technical control (TUV – in German) requirements and also to apply for obtaining the production patent for this kind of product. Following several months of consultations and discussions, a very reputable car-making brand²¹ has accepted to join the project team and support them with its commercialisation, once all of the above-mentioned homologation, technical control and patent requirements are completed. This represents a great achievement in terms of enabling a direct break-through in such a competitive market as the automotive market. Therefore, by bringing on board a reputable and well known car producer to immediately purchase the project consortium's final product would be a great achievement.

²¹ The name cannot be disclose at this stage of the project

1.2.4 Societal challenge 'Secure, clean and efficient energy'

H2020 Energy Efficiency Call 2016

The H2020 Energy Efficiency Call 2016 had two deadlines: 21 January 2016 (about EUR 50 million) and 15 September 2016 (about EUR 45 million).

Following the first call of the year 135 eligible proposals were evaluated, 34 were above the threshold. Out of these, 15 grant agreements were signed (success rate: 12.6%).

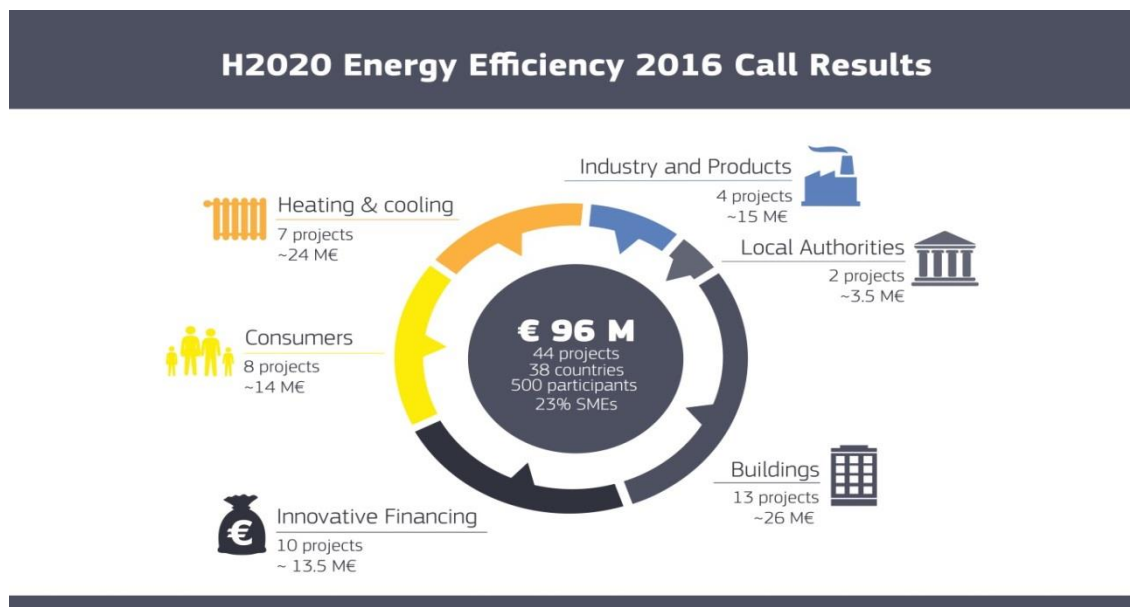


Figure 1: 2016 Efficiency Call Results

As regards the second call, 149 proposals were evaluated. 48 projects were recommended for funding but, given the available budget, only 27 will be supported (success rate 18%). The call observers concluded that the evaluations were carried out 'according to the highest quality standards'.

Overall, the results of the 2016 call confirmed that the H2020 support to innovation in energy efficiency responds to the needs of energy actors. There was a very high interest in the call with a balanced distribution of proposals along the whole innovation cycle, and a broad participation of research, industry and other market actors.

In order to increase the number of under-represented experts²², the Agency launched in January a dedicated communication campaign for Consumer experts. This has led to a doubling of the number of relevant experts. Another campaign to attract experts in heating and cooling systems was launched in October.

As part of a communication strategy to promote the finance-related topics of the September Call, a webinar on the Project Development Assistance funding opportunities was organised on 20 May with 871 participants. A follow up webinar took place on 30 June to build capacity on how to submit a convincing proposal for this specific topic. Additionally, EASME staff participated in 7 National Info Days: Turkey, Poland, Bulgaria, Latvia, Croatia, Estonia, Germany and Austria.

²² <https://ec.europa.eu/easme/en/news/are-you-experienced-professional-consumer-engagement-and-behavioural-change-field-sustainable>

H2020 Energy Efficiency Call 2017

A successful Info Day on the 2017 call was organised by the Agency on 19 September with more than 470 participants and about 2,000 viewers on the internet. It comprised one plenary session, 9 parallel slots and 6 networking sessions. DG ENER, REGIO, ENV and RTD had a stand during the event. In October the Agency participated in two National Info Days on the 2017 call in France and in the Czech Republic. The Agency also participated in an Info Day on the contractual Public Private Partnerships with a presentation on the relevant buildings and industry funding topics.

H2020 Energy Efficiency Tenders

Five H2020 tenders were implemented during the year to take stock of past projects' results and facilitate the replication of good results:

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

The first three tenders were completed in the course of the year. They confirmed the impacts of the projects supported in the field of buildings and bioenergy, e.g:

- The evaluation of Build Up skills²³ showed that the initiative has managed to create national platforms gathering more than 1,800 stakeholders throughout Europe.
- The evaluation of 61 Intelligent Energy Europe buildings-related projects concluded that there is a close alignment of the IEE priorities with the EU buildings policies as well as with the needs of the stakeholders in this sector. 94% of the stakeholders consulted said the project objectives were aligned with their organisation's needs, problems and challenges. Equally, 90% of the evaluated finished projects were able to deliver their intended outputs to a great extent.
- The evaluation of 47 bioenergy projects showed that they resulted in 1.65 Mtoe of bioenergy; 5.7 Mt of carbon dioxide emissions savings; and over EUR 0.9 billion investment in bioenergy (see details under the IEE chapter).

Under the tender supporting Build Up skills EU exchanges three meetings were organised: in January (Brussels), in June (Budapest) and in December (Athens). They gathered about 50 stakeholders from all over Europe. Since the beginning of the year, four technical working groups have been set up to allow a continued exchange between projects besides the formal EU exchange meetings. The topics covered by these groups are: finance, mutual recognition, innovative training and market acceptance.

²³ EU BUILD UP Skills initiative aims at increasing the skills of craftspeople and other on-site workers in the building sector on energy efficiency and renewable energy. During the first phase of the initiative, more than 1800 specialists from the building, energy, vocational education & training sectors formulated measures on how to obtain a qualified workforce in order to reach the national targets. Member States have produced national roadmaps which are partly being implemented in the second phase of the initiative.

EASME also launched a new call for tender for the set-up of Sustainable Energy Investment Forums with the objective to mobilise large scale investments in energy efficiency. The service started on 28th June and the first stakeholder's event took place in Latvia in early October with participation from DG ENER.

Finally, a call for tenders on "Support initiative to assist actors working on sustainable energy at the local and regional level" was published in November.

Concerted Actions under H2020

Concerted Actions involve all Member States and aim at facilitating the implementation of specific energy policies. In 2016, 2 Concerted Actions were running under H2020: the 4th Concerted Action on the Energy Performance of Buildings Directive (EPBD) and the 3rd Concerted Action on the Renewable Energy Sources Directive (RES-D). The former organised a plenary meeting in Vilnius on 30th May to 1st June with about 120 participants and 18 parallel sessions. The RES-D action started in October and the first meeting is foreseen in Bratislava in March 2017.

The Grant Agreement Preparation for the second Concerted Action of the Energy Efficiency Directive (CA EED) started in November.

Policy feedback and promotion

The Agency continued to provide regular policy feedback to DG ENER and other Commission Services based on the project results (EASME monitors 123 ongoing H2020 energy efficiency projects and has attended around 60 H2020 project meetings). This feedback was organised both at the middle management level (monthly liaison meetings between EASME and ENER) and, more frequently, at Project Advisor – Policy Officer level.

The Agency supported DG ENER with the preparation of the H2020 2018-2020 energy efficiency funding priorities. It helped with the e-survey on the future energy efficiency market uptake priorities. More than 180 stakeholders have responded to the survey. The Agency has also co-organised together with DG ENER a series of thematic inter-service workshops to discuss the results achieved so far, and possible future orientations, under H2020 and other programmes.

In addition, the Agency supported DG ENER in drafting the Commission Staff Working Document 'Good practices in energy efficiency'²⁴ as part of the Clean Energy Package adopted in November. The Agency provided more than 140 success stories from its Intelligent Energy Europe and Horizon 2020 projects in particular on: split incentives, project development assistance for deep renovation, energy efficiency obligations, metering and billing practices, role of cities and regions for target setting, energy services, public procurement, etc. The examples provided accompany the package and help to establish energy efficiency measures.

The Agency supported DG ENER by analysing project results relevant for the evaluation and impact assessment of the EPBD/EED and RES Directives. Among the hundreds of projects supported by IEE and Horizon 2020, several have aimed specifically at supporting energy efficiency policies by e.g. developing tools, monitoring trends, checking compliance, or addressing market or regulatory failures. More than 40 projects funded by the Agency are referenced in the EED/EPBD/RES evaluations and impact assessments.

²⁴ <https://ec.europa.eu/energy/en/news/commission-proposes-new-rules-consumer-centred-clean-energy-transition>

In view of the adoption of the Heating and Cooling strategy, EASME, together with INEA and RTD, produced a document providing an overview of the EU-funded projects in the area of heating and cooling. It includes projects funded under the Horizon 2020 programme for research and innovation (2014-2020) and its predecessors: the former Seventh Framework (FP7) and Intelligent Energy Europe (IEE) programmes.

Besides providing DG ENER with key lessons and results from a suite of IEE and H2020 projects on innovative financing schemes, the Agency was strongly involved in meetings of the Energy Efficiency Financial Institutions Group (EEFIG) set up by UNEP and DG ENER. In particular, EASME led a working group with 25 members to develop a report on the evaluation of financial instruments for energy efficiency. Recommendations of this group have been important inputs for the Energy Efficiency Package. The Agency provided DG ENER with 6-monthly progress reports on energy efficiency investment volumes triggered by its Project Development Assistance projects.

The Project Development Assistance Projects managed by the Agency under H2020 to help local authorities and other stakeholders prepare bankable projects have managed to ensure MEUR 220 investments by 2016. Another MEUR 446 is expected to be signed by ongoing projects in the following years.

At the same time, several H2020 projects managed by EASME are continuously contributing to the development of the three pillars of the Smart Finance for Smart Buildings initiative.

The Agency contributed to the Interim Evaluation of H2020 projects on energy efficiency that feeds into the mid-term review of the MFF. This included, among others, participating in programme level interviews conducted as part of the stakeholder survey, providing technical annexes of H2020 and IEE projects that form part of the evaluation and commenting on the desk review and the interim, the draft final reports and on the contractor's review of energy savings and investment impact figures for H2020 projects selected for funding.

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

- Socioeconomic research for energy efficiency with 3 H2020 projects on behavioural responses to investment risks in energy efficiency and multiple benefits of energy efficiency in January.
- Public Procurement Contractors meeting with six ongoing projects on public procurement in February.
- On ICT for behavioural change, with 9 H2020 projects and participation of DG ENER and DG CNECT in May.
- H2020 and IEE projects on 'Electronic and web-based tools for energy efficiency' in October.

During these meetings H2020 and IEE project coordinators exchanged results and experiences, were briefed on the latest policy developments as well as on project management issues.

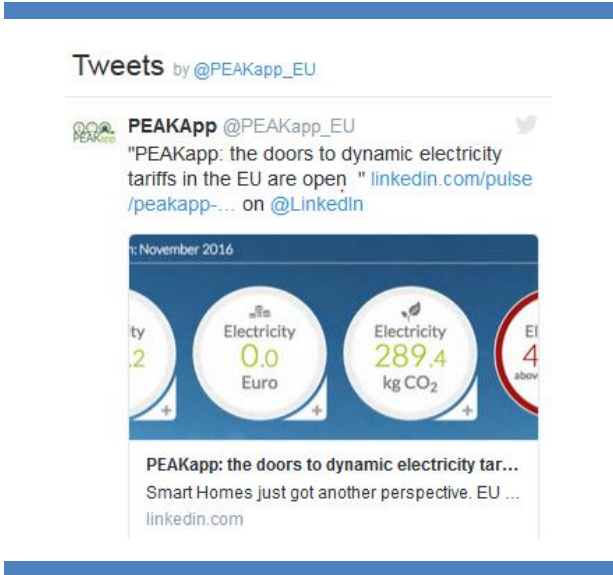
The Agency communicated the IEE programme results at various other events in particular during the European Sustainable Energy Week 2016 (EUSEW), which the Agency organised in close cooperation with DG ENER. EUSEW has become the EU's premier event for public authorities, energy agencies, private companies, NGOs and industry associations engaged in helping to meet the EU's energy and climate goals.

The Agency has also widely communicated the project results in social media (Twitter, LinkedIn and YouTube) and has promoted more than 24 success stories from projects on the Agency's website.

Examples of the "Secure, clean and efficient energy" projects

Transition Zero is stimulating deep renovations in the United Kingdom, France and the Netherlands by replicating the successful Dutch Energiesprong scheme which reduces renovation time to one week by using standardised procedures and pre-fabricated modules. The renovation packages should drive process innovation in the construction sector, create business models and develop procurement strategies. In practice, it is planned that at least 200 houses are renovated and that contracts for an additional 20,000 are signed by the end of the project.

PEAKapp aims to develop and validate an innovative ICT based system connecting energy markets and end-users. Although the focus will be on achieving energy savings through behavioural change, the solution will also enable increased consumption of renewable and low-priced electricity from the spot market using a dynamic electricity tariff. Validation under real life conditions in social housing will be carried out in Austria, Estonia, Sweden and Finland, involving 2,500 households, connecting them to social networks, motivating them through serious gaming, and boosting the efficiency of building energy management systems.



SEAF ("Sustainable Energy Asset Evaluation and Optimisation Framework") intends to enhance investors' confidence in sustainable energy and, in particular, energy efficiency projects and thus to facilitate access to finance. Joule Assets, the project promoter, has developed and applies sustainable energy asset valuation tools and procedures. An IT-based platform is under development to standardise the valuation and benchmarking of small-sized sustainable energy projects in energy efficiency, demand response, distributed renewable energy generation and electricity storage.

1.2.5 Societal challenge 'Climate action, environment, resource efficiency and raw materials'

Preparation of calls for proposals

Under Societal Challenge 5, the Agency coordinated the call for proposals H2020-SC5-2016-2017, part of the call H2020-IND-CE-2016-2017 (CIRC²⁵) and part of the call H2020-SCC-2016-2017 (NBS²⁶). For a number of non-delegated topics under the calls H2020-SC5-2016-2017 and H2020-IND-CE-2016-2017 the Agency only coordinated the evaluation while the implementation of the topics was done by other EC services.

In 2016, EASME was responsible for the following topics coordination:

CALL	CALL ID	Nr TOPICS²⁷
H2020-IND-CE-2016-2017	H2020-CIRC-2016-OneStage	3
H2020-IND-CE-2016-2017	H2020-CIRC-2016-TwoStage	2
H2020-SC5-2016-2017	H2020-SC5-2016-One-Stage-B	15
H2020-SC5-2016-2017	H2020-SC5-2016-One-Stage-A	2
H2020-SC5-2016-2017	H2020-SC5-2016-TwoStage	3
H2020-SCC-2016-2017	H2020-SCC-NBS-1stage-2016	2
H2020-SCC-2016-2017	H2020-SCC-NBS-2016-TwoStage	1

Table 3: SC5 Calls in 2016

In addition, EASME was responsible for the implementation of the evaluation of two topics which were part of the call H2020-BG-2016-2017 coordinated by REA.

In order to conduct the evaluation of the proposals of the topics coordinated by EASME, two pools of 624 experts' evaluators were set up: one pool of 535 for the one stage and first stage of two stage topics and another pool of 89 experts for the second stage of two stage topics. In addition, there was a pool with 4 observers and two pools with 6 Ethics experts. The pools of experts were established within the deadlines.

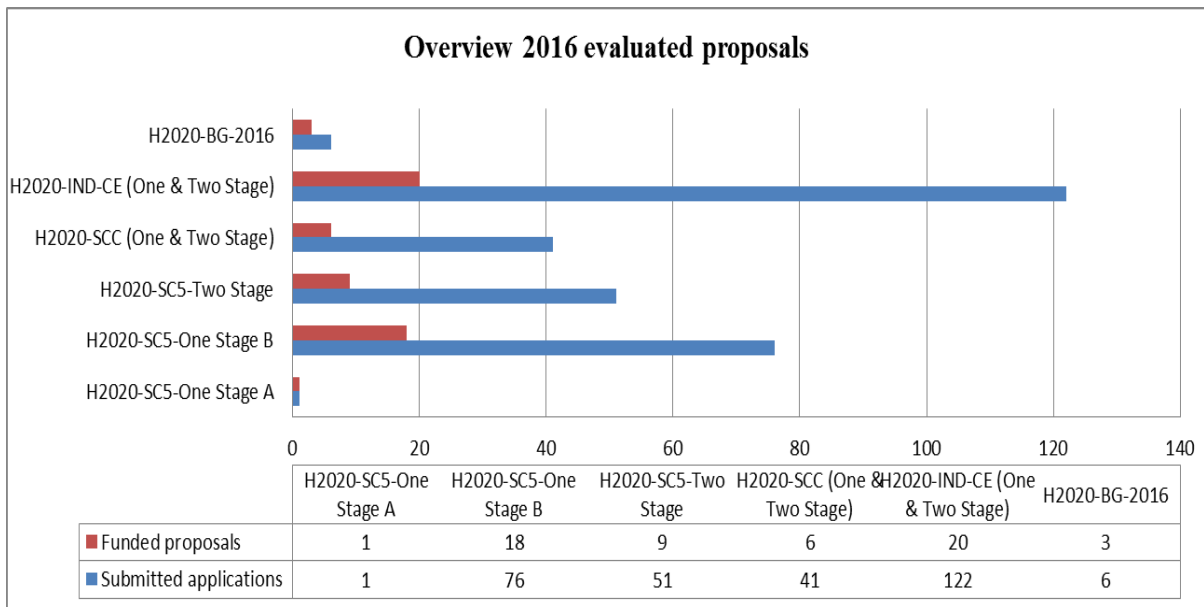
Evaluation of proposals and grant agreement preparation

During the year four evaluation processes were carried out: evaluation of one stage proposals A and B, evaluation of first stage of two stage proposals and evaluation of second stage of two stage proposals.

²⁵ Circular Economy

²⁶ Nature Based Solutions

²⁷ In this table all topics under call coordination EASME's responsibility are included (topics evaluated by DG RTD and DG GROW).



Graph 7: Overview 2016 evaluated proposals

One Stage topics: The evaluation of one stage topics of the call for proposals H2020-SC5-2016-2017, part of the call H2020-IND-CE-2016-2017 (CIRC) and part of the call H2020-SCC-2016-2017 (NBS) was carried out during the One Stage B process. These calls were published in October 2015 with a deadline in March 2016.

H2020-SC5-2016-2017: Greening the Economy

1 topic was evaluated²⁸ under H2020-SC5-One Stage A (SC5-24). The Agency received one proposal in response to this topic that was evaluated and proposed for funding, representing EUR 300,000 requested EC funding (the total costs of the project is EUR 361,450).

11 topics were evaluated²⁹ under H2020-SC5-One Stage B. A total of 76 proposals were submitted of which 18 were retained for funding, representing EUR 77.48 million of EU requested contribution and a total cost of EUR 80.44 million. The success rate for this call was 24%.

H2020-IND-CE-2016-2017: Industry H2020 in the Circular Economy

2 topics were evaluated³⁰. There were 21 proposals submitted under these topics with 2 proposals retained for funding representing EUR 4.76 million of EU requested contribution and a total cost of EUR 4.78 million. The success rate for this call was 9.5%.

H2020-SCC-2016: Smart and Sustainable Cities

The Agency evaluated 1 topic³¹. There were 7 proposals submitted under this call with 2 proposals retained for funding representing EUR 15.3 million of EU requested contribution and a total cost of EUR 15.30 million. The success rate of this call was 28.6%. UK and FR got the coordination of the two proposals retained for funding.

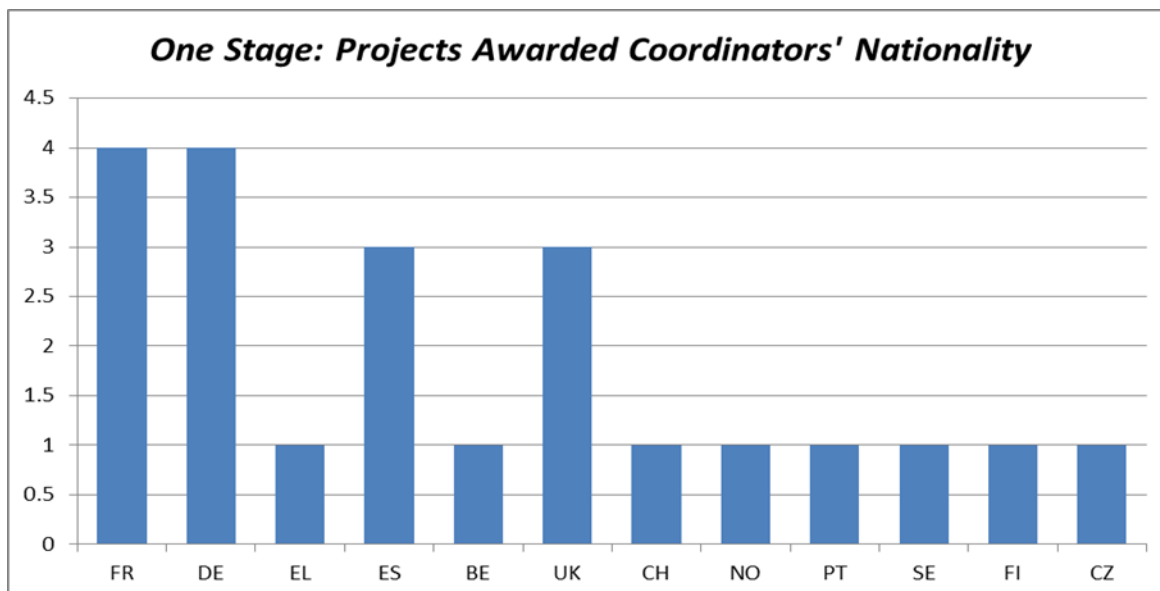
Graph 7 shows the nationalities of the coordinators of the awarded projects as a result of the one stage evaluations carried out in 2016

²⁸ SC5-12 was not delegated to EASME for evaluation.

²⁹ SC5-10, SC5-11, SC5-17 and SC5-28 were not delegated to EASME for evaluation.

³⁰ CIRC-05 was not delegated to EASME for evaluation.

³¹ SCC-04 was not delegated to EASME for evaluation.



Graph 8: One Stage Projects Awarded Coordinator Nationality

Two Stage topics: The two stage topics of calls H2020-SC5-2016-2017, part of the call H2020-IND-CE-2016-2017 (CIRC) and part of the call H2020-SCC-2016-2017 (NBS) were evaluated in two evaluation exercises, one for the first stage proposals and one for the proposals that passed to the second stage. These calls were published in October 2015 with deadlines in March and September 2016 for first and second stage, respectively.

H2020-SC5-2016-2017: Greening the Economy

3 topics were evaluated. During the first stage, a total of 51 proposals were submitted of which only 17 were retained for the second stage and represented a total budget of EUR 96.13 million. After first stage, applicants were informed on time for the submission of the second stage proposal. Out of 17 submitted proposals 9 were retained for funding and represented EUR 54.1 million of EU requested contribution and a total cost of EUR 64.16 million. The success rate is 52.9%

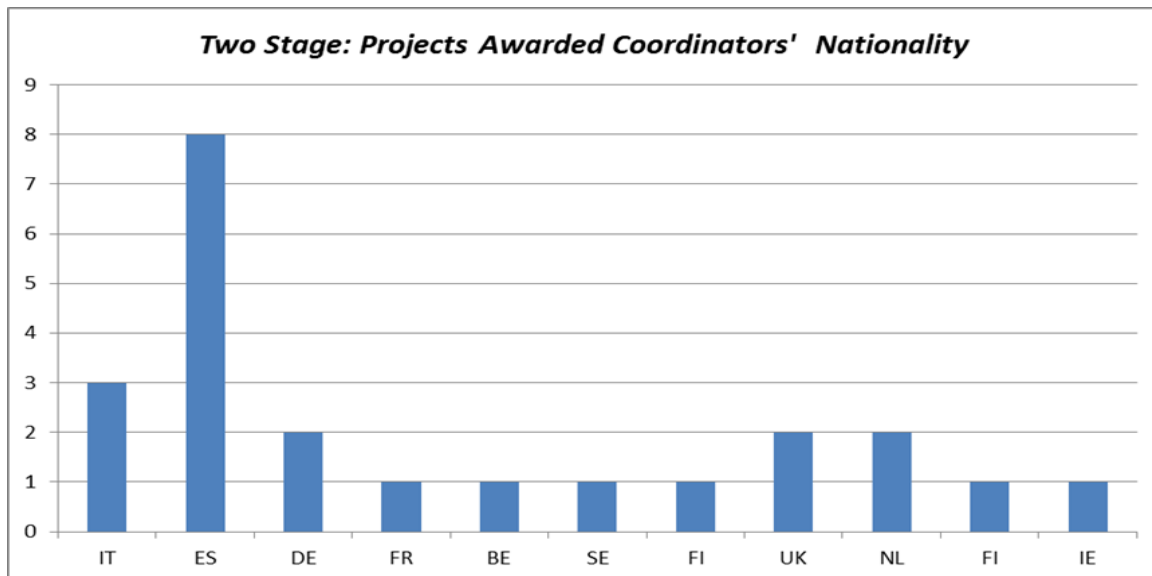
H2020-IND-CE-2016-2017: Industry H2020 in the Circular Economy

2 topics were evaluated. During the first stage, a total of 101 proposals were submitted of which 26 were invited to the second stage. After the second stage evaluation, 10 proposals were retained for funding representing a total cost of EUR 97.82 million and an EC contribution of EUR 80.65 million. The success rate for this call is 38.5%.

H2020-SCC-2016: Smart and Sustainable Cities

1 topic was evaluated. During the first stage, a total of 34 proposals were submitted of which 13 were retained for the second stage. Out of these, 4 were retained for funding after the evaluation of proposals in the second stage. They represent a total cost of EUR 55.39 million and EC contribution of about EUR 49.36 million. The success rate for this call is 30.8%.

Graph 8 shows the nationalities of the coordinators of the awarded projects as a result of the two stage evaluations carried out in 2016.



Graph 9 : Two Stage Projects Awarded Coordinator Nationality

SC5 selected projects addressed important issues such as climate services, towards a low carbon Europe, nature based solutions for territorial resilience, water, raw materials, earth observation and cultural heritage. The call IND-CE covered areas such as the Industry 2020 in the circular economy and the call SCC covered issues related to smart and sustainable cities.

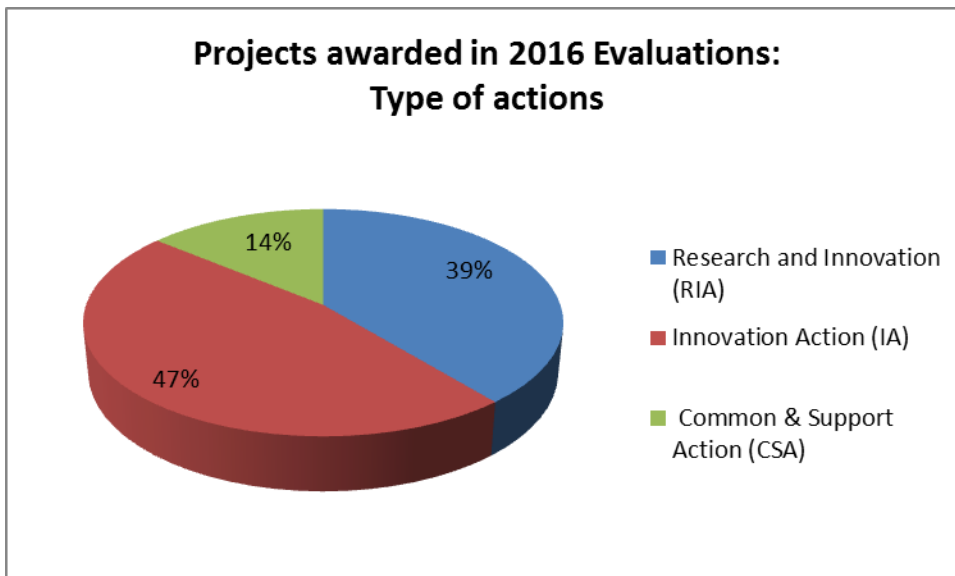
Other Calls

H2020-BG-2016 (call coordinated by REA)

EASME conducted the evaluations of 2 topics under the call managed by REA (BG-09, BG-10). A total of 6 proposals were submitted of which 3 were retained for funding representing a total cost of EUR 32.35 million and EUR 31 million of EU contribution. The success rate of this call was 50%.

The total redress requests in 2016 were: 6 in the framework of second stage of the H2020-SC5-WASTE-WATER-2015-TwoStage (Evaluation Review Committee recommended re-evaluation of two of the project proposals) and 1 redress corresponded to 2016 calls (H2020-CIRC-Two Stage First stage). During 2016 there were two re-evaluations sessions for successful redresses.

The following graph shows the type of actions awarded resulting from the 2016 evaluation exercise:

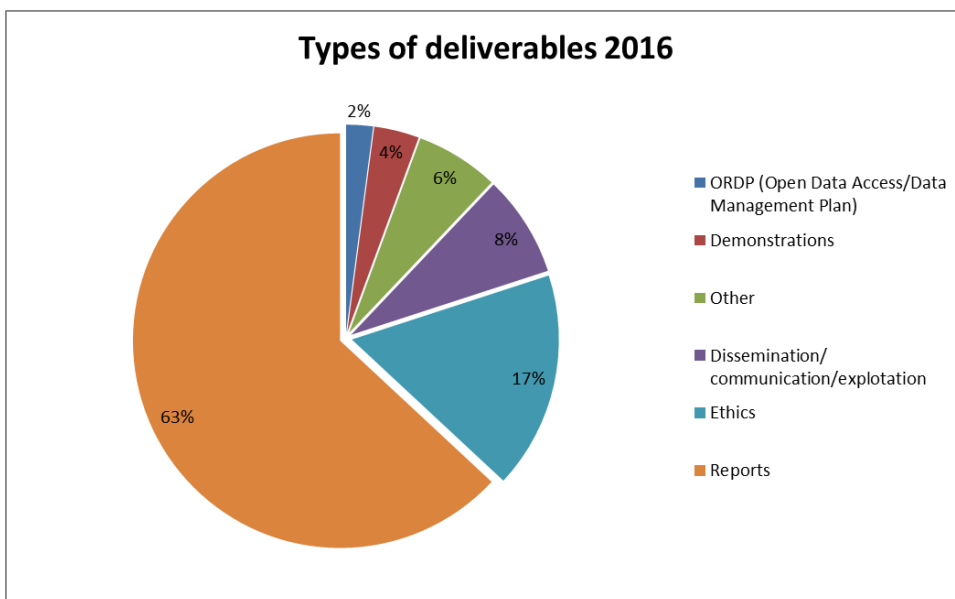


Graph 10: Type of Actions awarded 2016 Evaluations

During 2016, 65 Grant Agreements were signed corresponding to 2015 calls (two stage) and 2016 calls (one stage). Grant Agreements were signed, between 82 up to 143 days after the calls' deadlines and being granted between 125 to 244 days after calls' deadlines.

Monitoring of projects

In 2016, 135 projects were monitored under Societal Challenge 5. There were first 24 Interim Reports submitted in 2016. 133 out of the 143 amendments initiated during 2016³² were finalised during 2016, the remaining are ongoing. 910 deliverables were submitted by ongoing projects and a further 182 with a deadline in 2016 are pending. The graph below gives an overview of the type of deliverables received. Most of the deliverables received correspond to reports.



Graph 11: type of deliverables in 2016

During the year, EASME staff attended a total of 59 kick-off meetings.

³² Out of 143 amendments 57 were Commission initiated

Policy feedback and promotion

In September the Agency participated in an "Information meeting on ecosystem-based initiatives: further cooperation on knowledge sharing mechanisms". The meeting was chaired by RTD and attended by DG ENV, DG CLIMA, DG ECHO, EEA, JRC.

In addition, the Agency actively participated in the H2020 Information Day & Brokerage Event "Climate Action, Environment, Resource Efficiency & Raw Materials" which took place on September 14th. The new 2017 calls were introduced by 19 speakers from DG RTD and DG GROW, JRC and EASME. The event was web-streamed (with up to 481 live web-streams) and there was a possibility to submit questions on twitter. 457 participants attended the Info day. Around 200 participants attended the afternoon brokerage session, during which over 500 bilateral meetings were held. Results of the Info day's survey were very positive, with 94% fully satisfied participants.

A public session in the frame of the kick-off meeting of the H2020 project "Synergic Circular Economy across European regioNs" (SCREEN) took place in November. SCREEN is a CSA that seeks to promote systemic eco-innovation and support circular economy in the framework of Smart Specialisation Strategies in European regions. The Agency delivered a presentation and moderated a round table where representatives of DG RTD, DG ENV, and DG REGIO were present. The event gathered more than 60 participants.

The Agency organised the midterm review meeting of the Sustainable Industry Low Carbon II (SILC II) projects AGRAL and LoCO2Fe. Representatives from both Innovation Actions presented the progress made in the first 18 months of activity. These initiatives aim to develop innovative, cost-effective technologies for reducing the greenhouse gas emissions of manufacturing and process industries.

On December 13 and 14 the H2020 CSA BlueSCities organised its final event, which comprised a training session for local authorities and a final conference. Representatives from the Agency gave an opening speech at the final conference together with other EC representatives.

The GEO European Projects Workshop took place between 31 May and 2 June. This event was organized jointly by the Agency, DG RTD, the Museum für Naturkunde and the Federal Ministry of Transport and Digital Infrastructure of Germany. Representatives from science, business and public administration met in Berlin to discuss the European Earth observation initiative's contributions to the Global Earth Observations System of Systems (GEOSS). The event also allowed a number of EU-funded projects managed by EASME to meet stakeholders, share experiences, and discuss cooperation. More than 200 participants including over 100 speakers attended the event.

In October, the Agency organised an Air Quality Workshop, as a side-event of the European Week of Regions and Cities. The workshop brought together three recently started H2020 projects (CLAiR-CITY, iSCAPE, ICARUS) and relevant stakeholders from cities and regions in order to discuss ways to improve air-quality and carbon footprint. Representatives from DG REGIO, DG GROW, DG ENV, JRC and DG RTD participated in the workshop.

The Agency together with DG RTD organised a coordination workshop of Citizens' Observatories projects, bringing together representatives of concluded FP7 projects and ongoing H2020 projects in the area of citizens' observatories from 24 to 25 November.

The Agency together with DG CNECT organised the ICT4Water cluster meeting composed of 20 research projects (half handled by DG CNECT and the other half handled by EASME) in the domain of ICT and Water management in Jerez de la Frontera on 17 June as a side event of the International Water Association (IWA) on Water and Wastewater technologies. The main output taking into account several relevant deliverables,

recommendations, reports was a roadmap defining 'Emerging Topics and Technology Roadmap for ICT for Water Management (August 2016)'. The [document](#) presents the main gaps and challenges that need to be addressed in the future development of the ICT for water management sector: Big Data, Data Infrastructures, Links with Smart Cities, Water-food-energy nexus, Standardisation. The report proposes a technology roadmap, which suggests the creation of a borderless Digital Single Market for water services to foster the transition of ICT technologies in water sector from pilot scale to wide market uptake.

Examples of the 'Climate action, environment, resource efficiency and raw materials' projects

CLAIR-CITY is an innovative project involving thousands of people in cities across Europe, enabling us all to decide the best local options for a future with clean air and lower carbon emissions. It aims at substantially improving future air quality, carbon and health management policies in European cities by initiating new modes of engaging citizens, stakeholders and policymakers.

ECWRTI deals with the re-use of wastewater in the textile industry. Textile mills can reduce their water consumption by up to 90 percent using the EColoRO concept, which consists of electrocoagulation followed by membrane filtration, to treat their wastewater and then recycle it. New EColoRO concept slashes both water consumption and costs using environmentally responsible technologies.

MASLOWATEN: the general objective of MASLOWATEN project is the first application and market replication of a new green product consisting of PV pumping systems for productive agriculture irrigation consuming zero conventional electricity and 30% less water.

1.3 LIFE

The LIFE Programme³³ is the EU's funding instrument to support the protection of the environment and climate action. For 2016, EUR 459,5 million were allocated to the Programme³⁴, with about EUR 268 million operational expenditure externalised to EASME.

In 2016, the Agency was responsible for the calls for action grants under the Environment sub-programme³⁵ and the Climate Action sub-programme, as well as the call for operating grants to NGOs that help to implement and shape EU policies on the environment and climate change. Altogether, almost 1,000 proposals were evaluated, out of which almost 220 received funding. All applicants were informed within the legal deadline, and 91% of the contracts were signed within 9 months after the call closure. Overall, the Agency is now managing almost 400 projects in the Member States.

All payments to beneficiaries were made within the legally set deadlines, and for the first time ever the NGOs received their pre-financing contributions before their financial year started.

In order to support the projects in the best way possible, the Agency follows a thematic approach with the staff being experts in the covered sectors. Furthermore, the Agency continues to organise thematic exchanges between projects, with additional input from DG ENV and DG CLIMA during specific sessions dedicated to policy feedback and specific impacts. This helps projects to share their results and insights with the policy makers inside the European Commission and to extract common messages and lessons learned. Thematic meetings in 2016 covered for example the following sectors:

- LIFE platform meeting on restoration of sand dune habitats, in Zandvoort, the Netherlands. The focus of this meeting was on dunes of the Continental Biogeographic Region;
- Platform meeting with the Italian Ministry of Environment to launch a dynamic platform website which contains good practices on the key environmental thematic areas such as waste, nature, biodiversity, water, urban environment, climate, energy, land, and efficient use of resources;
- Platform meeting in Bulgaria LIFE NATURE, INFORMATION & GIE³⁶ projects to consider the challenges ahead for habitat and species conservation at national, biogeographical and EU level;
- LIFE Waste platform meeting in Milan to understand recurring issues that waste projects have to deal with from the policy point of view and to favour an exchange of views between them and the Commission;
- EU LIFE Programme Water Platform Event in UK, to represent EASME at the LIFE Water Platform and exchange with LIFE projects in the field of water.

Further topics covered in thematic project kick-off meetings were: air quality, health, soil, forestry, marine environment, biodiversity etc.

³³ Regulation (EU) No 1293/2013 of the European Parliament and of the Council of 11 December 2013 on the establishment of a Programme for the Environment and Climate Action (LIFE) and repealing Regulation (EC) No 614/2007.

³⁴ Commission Implementing Decision C(2016)429 of 2 February 2016.

³⁵ Except for integrated projects and technical assistance projects which will be managed by DG ENV until 2017

³⁶ Environmental Governance and Information

The Agency also manages a team of experienced external experts in the Member States, which help monitor the projects on a daily basis. The added value of the expertise is appreciated mostly by the close guidance during the projects' implementation.

The main communication and dissemination activities of the year:

- The Agency organised a LIFE Info Day in Brussels to promote and explain new features of the 2016 Call as well as lessons learned from previous submissions. Various national Info-Days were organised across the Member States with the support of the external monitoring contractor. The Agency participated in four of them: in Greece, Finland, Spain, Portugal and Italy.
- The LIFE awards for [the best LIFE projects](#) in different categories were handed out during the EU Green Week 2016 (30 May-3 June). The Agency had a stand and organised a Twitter chat on how to access green funding instruments including the 2016 LIFE call. It had a big coverage on social media.
- In order to support the activities of National Contact Points (NCP) in the Member States, the Agency organised an NCP training 2 – 3 June in Brussels, in which 70 participants from all 28 EU Member States attended. It included a specific exchange workshop targeted at the NCPs benefitting from a Capacity Building project.

EASME continued to provide regular policy feedback to DG ENV and DG CLIMA. As foreseen in the 2016 Annual Work programme, this feedback was organised both at Heads of Unit/Sector level and, more frequently, at Project Officer level. Once again it is proved that it is important to share the experience gained from daily business, as it can influence the policy development direction (see the text box).

The Agency has raised the issue with the Commission as a feedback for further improvements in the relevant policies.

The [RECALL project](#) achieved the worldwide first-of-its-kind application of a recycling process for post-consumer waste of Absorbent Hygiene Products (AHP), such as diapers. Diapers are made with high quality raw materials like cellulose, plastics etc. and represent today from 10 to 20% in volume of our total waste in Western societies. The company is market leader in Italy and has the potential to produce environmentally sustainable product with additional outputs in terms of jobs and growth. However, it encountered problems related to the valorisation of waste as a resource, as these materials would still be considered waste not having been subject to the permitting process foreseen in the End-of-Waste-Directive.

Examples of the LIFE programme's projects

In the [mid-term evaluation](#), the LIFE Programme is described as an EU platform for the exchange of best practice and knowledge-sharing for implementing EU legislation and policy. In terms of policy developments, LIFE contributed for example to the review of the EU biodiversity strategy, the 2020 climate-energy package and the 2030 climate and energy framework. It also supports Europe's 2020 Strategy for smart sustainable and inclusive growth, as LIFE projects result in job creation, the promotion of innovative environmental and climate technologies and the development of new, beneficial work skills.

In the concrete actions implemented by the projects, LIFE helps to improve the environmental and climate conditions for EU citizens and to ensure a more sustainable future.

The [LIFETAN](#) project aims at demonstrating the use of innovative natural products and technologies for the defatting, fattening, bating, dyeing and tanning phases of the whole leather tanning processes. The main environmental, social and economical goal is the replacement of current commercial chemical and toxic products with natural products in the whole producing cycle, in order to establish a significantly eco-sustainable and profitable business for companies.

[LIFE CHIMERA](#): Over the past decades, the poultry sector's move towards intensification and geographical concentration has given rise to various environmental concerns at national and EU level. Poultry manure contains considerable amounts of nutrients such as nitrogen, phosphorus, and other excreted substances including hormones, antibiotics, pathogens and heavy metals, which are introduced through the animal feed. Leaching and runoff of these substances can contaminate air, surface water and groundwater resources. In addition, poultry manure disposal – not considering transport - has another major environmental impact in the EU-27 linked to the release of large amounts of greenhouse gases, ammonia and heavy metals.

The LIFE CHIMERA project aims at setting up a pilot plant to demonstrate an innovative sustainable treatment for poultry manure at farm's premises (hence avoiding transport). The new technology will convert the manure into valuable fertiliser, producing at the same time thermal and electrical energy and tackling problems related to disposal, transport and air pollutants.

LIFE in the context of other EU funding programmes

In relation to its position as compared to other funding programmes, LIFE has demonstrated its value to support replication and wider uptake of technologies, solutions and processes developed through Horizon 2020 by testing and applying them in different country contexts and across different EU Member States. This helps to exploit new findings from research and put it into practice in the Member States.

Many LIFE projects also demonstrate a clear link with other EU funds, i.e. the Rural Development Programme, often supporting the creation of the conditions that would allow beneficiaries to apply for them. In this sense, LIFE is an instrument that positions itself as a catalyst and facilitator of synergies between different EU funding instruments.

The project [LIFE PDO](#) promotes a process of supply chain excellence in the production of milk and cheese in terms of environmental sustainability and according to a concept of circular economy. It will merge the various processes of the production chain around breeding of dairy cattle in one modus operandi: from the cultivation of forage essences, following technical conservation agriculture, to the ration composition in order to contain CO2 emissions; from the management of the stable, to the recovery of sewage for energy production and soil organic matter.

The main objective of [CLINSH](#) project is to improve air quality in urban areas by accelerating emission reduction in Inland Waterway Transport.

1.4 EMFF

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

The Agency is responsible for implementing a large part of the direct management of policy support actions under the EMFF work programmes (WP) on behalf of DG MARE. The number of these actions delegated has increased steadily during the last two years: 17 EMFF actions were delegated to the Agency in the 2014 EMFF WP, 22 actions in the 2015 EMFF WP and 26 actions in the 2016 EMFF WP³⁷.

The 2016 EMFF WP was amended twice in the course of 2016: the first amendment was adopted in July³⁸ and the second one in October³⁹. These revisions included the modification of four delegated actions, the withdrawal of three other actions and the inclusion of eight new actions. The Agency was consulted by DG MARE during the revision processes as well as for the preparation of the 2017 EMFF WP. In particular the addition of new 2016 actions in the last part of the year has been challenging. The Agency managed to publish one call for proposals and one call for tenders before year end, while the preparation for the launch of the remaining new actions was very advanced.

The changes to the EMFF work programmes and some resource constraints for procurement resulted in a number of deviations from the targets set in the 2016 EASME work programme. Detailed information on results versus targets is provided in annex 12.

Two thirds of the EMFF delegated actions from 2014 to 2016 were procurement actions (mainly open calls for tenders), while one third comprised grant actions.

The higher number of ongoing EMFF actions has required more time to monitor the implementation of the actions. Nevertheless, the preparation and evaluation of procurement and grant actions continued to represent the main workload for a majority of the team members working for the EMFF. In terms of budget execution, the Agency executed all commitment and payment appropriations for the EMFF by year end.

³⁷ These numbers differ slightly from the number of actions delegated to the Agency according to the corresponding EMFF work programmes due to subsequent modifications.

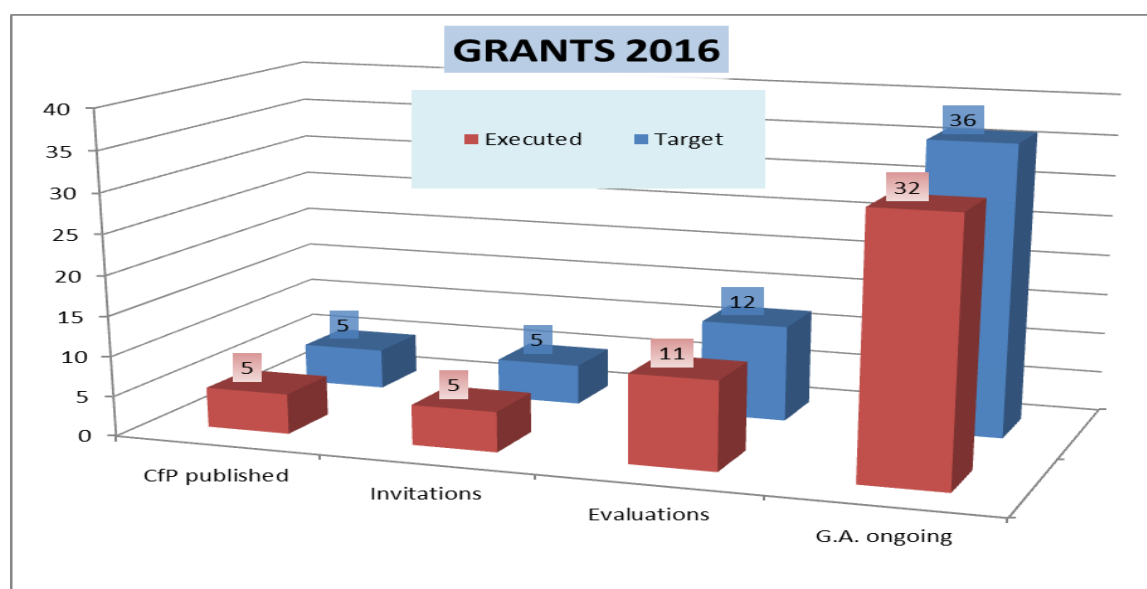
³⁸ Commission Implementing Decision C(2016)4575 of 20.7.2016, amending Decision C(2015)8729 of 11 December 2015 concerning the adoption of the work programme for 2016 and the financing decision for the implementation of the European Maritime and Fisheries Fund.

³⁹ Commission Implementing Decision C(2016)6713 of 24.10.2016, amending Decision C(2015)8729 of 11 December 2015 concerning the adoption of the work programme for 2016 and the financing decision for the implementation of the European Maritime and Fisheries Fund.

Type of action	EMFF WP 2014	EMFF WP 2015	EMFF WP 2016	Total No of actions delegated
Calls for tenders	9	9	13	31
Specific contracts under framework contracts	5	6	2	13
Calls for proposals	2	4	6	12
Ad-hoc grants	1	2	5	8
Union financial contribution	0	1	0	1
TOTAL	17	22	26	65

Table 4: an overview of the number of delegated EMFF actions by type

Grants



Graph 12: overview of grants

In 2016, the Agency published 5 calls for proposals and sent 5 invitations to apply for *ad-hoc* grants, meaning that the Agency has achieved 100% of the targets for the year.

The Agency has equally achieved all 2016 targets for the evaluation of proposals for *ad-hoc* grants and 86% of the target for the evaluation of calls for proposals (6 out of 7 evaluations were concluded, while the evaluation of a seventh call was undertaken in 2016 but the award decision finalised early 2017).

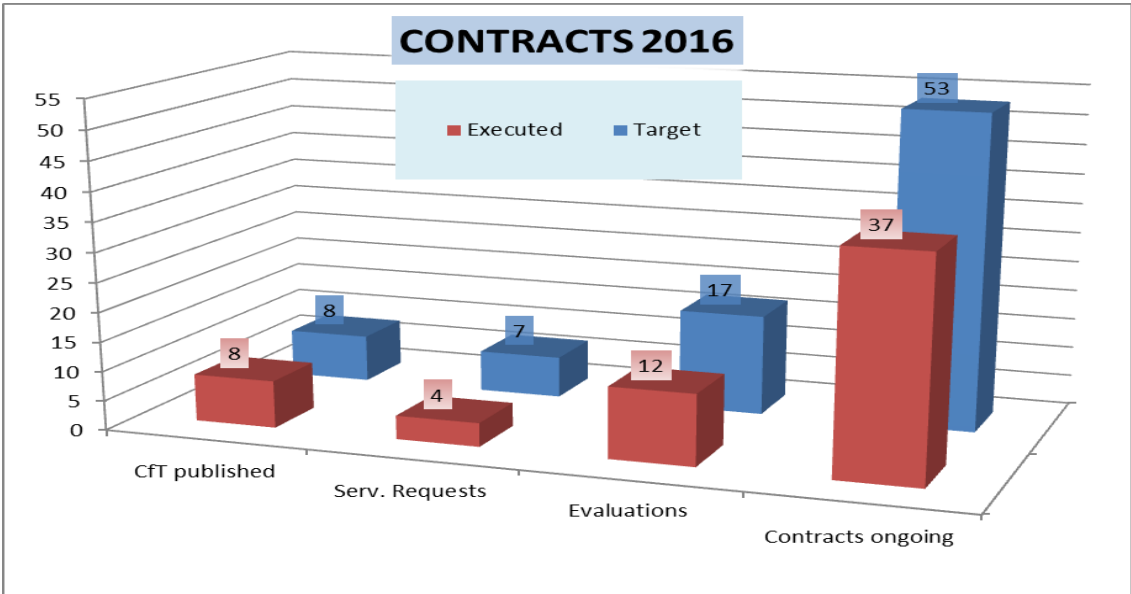
A major change in the area of grants was the introduction of 3 Blue Growth calls for proposals in the 2016 EMFF WP (Blue Careers, Blue Labs and Blue Technology). These open calls for proposals with a relatively high budget were successfully promoted (see text box) and in particular the Blue Careers and Blue Labs calls had a high response,

The Agency with the support of DG MARE organised a very successful and well attended public event in April for the launch of the 3 Blue Growth calls for proposals "Blue Careers", "Blue Labs" and "Blue Tech". The event gathered over 120 participants from 17 countries. The use of web-streaming (over 800 connections during the event) and social media, particularly Twitter (#bluegrowth: over 280 tweets) further enhanced public engagement in this event

both in terms of numbers of proposals (76 proposals for Blue Careers and 49 for Blue Labs) and in a grant request 10 times higher than the available budgets. While the high demand demonstrates the success of the calls, it required also a major effort to finalise the evaluation of proposals on time. To cope better with future calls resulting in a high number of proposals, the Agency launched in November a call for expression of interest to set up a list of external experts in support of evaluation and monitoring activities of actions implemented under the EMFF.

In total, 32 grant agreements were ongoing during the year (including 11 from the 2014 EMFF WP, 16 from the 2015 EMFF WP and 5 from the 2016 EMFF WP), meaning that the target was nearly reached. The difference results from low demand in one of the more specialised calls for proposals in the 2015 EMFF WP. In order to support and monitor beneficiaries, 37 meetings were held, which included (group) kick-off meetings, individual project meetings and on the spot monitoring visits.

Contracts



Graph 13: overview of contracts

During the year the Agency launched 8 calls for tenders as planned in the 2016 WP. However, it must be pointed out that one of the initially foreseen calls for tenders was withdrawn from the 2016 EMFF WP and another action was implemented through a contract renewal instead of a call for tenders. In their place, two new calls were launched as part of the new actions added to the 2016 EMFF WP. In 2016, the Agency also for the first time launched 3 calls for tenders for inter-institutional framework contracts for the EMFF.

The target for the preparation of service requests under framework contracts could not be achieved (4 out of 7 = 57%). This was due to the fact that on the one hand a number of delegated actions were cancelled and on the other hand an existing framework contract could not be used. In one case, a new framework contract became available in November; in another case, the call for tenders was launched later than anticipated due to pending clarifications on its scope. As a consequence, it is expected that the remaining service requests will be launched early 2017.

Similar difficulties were encountered to reach the target for the number of calls for tenders evaluated and the number of contracts signed (5 out of 10 tenders evaluated, and 5 out of 16 contracts signed). The entry into force of the revised Financial Regulation on the 1 January 2016 required the Agency to modify its procurement templates. This

lead to certain delays in the publication of the calls for tenders planned for the beginning of the year. This delay, in combination with the resource constraints, had a knock-on effect on the evaluation and signature of the contracts in the second half of the year. For 3 of the planned calls for tenders, the evaluation was finalised and the award decision and resulting 7 contracts will be signed early 2017.

As a result from the above delays, the number of ongoing contracts was 37 (instead of planned 53). All contractually foreseen meetings with contractors have been held for all ongoing contracts, resulting in 117 meetings overall or an average of three meetings with each contractor. Meetings for contracts involving a steering committee with a larger number of services were particularly frequent and labour intensive.

In conclusion, 2016 was a very dynamic and resource intensive year for the implementation of the EMFF. The Agency engaged in all stages of the project lifecycle of a large variety of actions, all requiring their specific approach and procedures. The Agency also flexibly handled changes introduced in the EMFF WP and produced good results despite the challenges and constraints it faced. As EMFF actions progress, also more efforts were invested in communication and dissemination activities, which are expected to grow further in the future.

Examples of the EMFF programme's projects

As the EMFF kicked off only end 2014, many actions are still in an early phase and will see their results only in the coming years. Nevertheless, 2016 provided already a number of concrete results which demonstrate the added value of the EMFF in the current geopolitical and economical context:

- In the context of migration and maritime security, cooperation between the European Coastguards is vital. With the support of an EMFF grant⁴⁰, [the European Coastguard Functions Forum \(ECGFF\)](#) created an Academy Network open to all institutions offering training on coastguard functions and set up a portal on which good practices and information on available teaching, training and exchange opportunities for (future) coastguards is shared. In addition, the ECGFF developed the basis for a future Sector Qualification Framework for Coastguard Functions, which will offer common standards for a high quality education and training of coastguards, to be used on a voluntary basis.
- [Maritime Spatial Planning \(MSP\)](#) is an essential tool to facilitate a sustainable and conflict-free use of marine space, in which an increasing number of resourceful activities are taking place: maritime and coastal tourism, fisheries, aquaculture, shipping, off shore wind farms, oil and gas drilling, cables on the seabed, etc. Effective implementation of MSP by the Member States improves the chances of sustainable economic growth as it creates certainty and cuts costs for the private sector in particular, while protecting at the same time marine life and resources. In order to support the EU MS authorities with the implementation of the MSP Directive that was adopted in 2014, the EMFF finances an assistance mechanism that developed a platform. Since 2016, the platform shares a wealth of good practices, case studies and data for MSP in the EU sea basins.
- Collect once, use multiple times. That is the basic principle underpinning the [European Marine Observation and Data Network](#), supported by the EMFF. EMODnet consists of more than 160 organisations assembling marine data, products and metadata to make these fragmented resources more available to public and private users. EMODnet gives e.g. private companies, public authorities, researchers and the public at large access to standardised and harmonised marine data of assured quality, which are interoperable and free of restrictions on use. This allowed e.g. the United Kingdom Meteorological Office to make significant improvements to its storm surge forecasts. In this way EMODnet directly helps to cut the cost of protecting life and property in coastal areas and offshore and reduce the risks of further investment⁴¹.
- Scientific studies on the state of different fisheries are essential for policy makers to take the right decisions on how much fish can be taken out of the sea when and where. In the current economic climate it is important to get a better knowledge also of socio-economic data related to fishermen and other workers in the whole fisheries value chain. With that in mind, the EMFF funds a wide range of studies providing a solid evidence base to inform decision making that is environmentally, socially and economically sustainable. See list of study reports published in 2016 in the [Commission's bookshop](#).

⁴⁰ EMFF action EASME/2014/1.2.1.1.

⁴¹ See also https://ec.europa.eu/maritimeaffairs/content/eu-cooperation-seabed-data-helps-uk-meteorological-office-improve-forecasts_en

1.5 CIP-Intelligent Energy Europe Programme

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

The Agency is entrusted with the legacy management of the IEE II programme (2007-2013).

In 2016 the IEE budget implemented by the Agency was fully executed. In addition, the Agency's average speed to assess IEE project reports and to pay beneficiaries was faster than contractual obligations; e.g. for payments where the legal obligation is set at 90 days the whole process was completed on average in 65 days. Overall about EUR 40 million of IEE payments were executed.

The Agency monitored 160 IEE grant agreements. It also followed the execution of 2 IEE tenders: (a) The BUILD UP platform which has become one of the best known platforms on energy efficiency in buildings and (b) the Efficient Products Facility that was extensively used by DG ENER to produce materials for explaining the eco-design and energy labelling policies to a wide range of stakeholders.

The Agency organised a webinar for IEE beneficiaries to inform them about the main lessons from recent ex-post audits to mitigate the risks of financial errors: 130 coordinators of ongoing and recently completed IEE projects as well as their consortium members were invited to attend this 45 minute webinar. The response to the webinar was very positive with 559 people connecting. In addition, EASME staff participated in 53 IEE project meetings.

Policy feedback and promotion

The IEE projects have produced a wealth of information, in particular regarding energy policy implementation issues: market barriers and ways to overcome them, stakeholders' opinions and effective sustainable energy solutions. The Agency continued to provide the Commission with the most pertinent data.

Throughout the year, numerous exchanges took place between the Agency's Project Advisors and the Commission's Policy Officers, in particular from DG ENER's Energy Efficiency and Renewable Energy Units. EASME participated in 4 working groups established by DG ENER: revision of the Energy Efficiency Directive, revision of the Energy Performance of Buildings Directive, Heating and Cooling Strategy, Vulnerable Consumers.

At the same time, the 2 Concerted Actions managed by the Agency under IEE to support the implementation of respectively the Energy Efficiency Directive (EED), and the Renewable Energy Sources Directive (RES) continued to be valued positively by both Member States and DG ENER. The Agency intervened in all the plenary and management meetings.

The Agency promoted IEE project results in relevant conferences and meetings and by publishing articles in relevant journals. For example:

- The results of the IEE bioenergy projects assessment were published in the December 2016 edition of the European Energy Innovation magazine.
- The Agency presented the results from IEE projects at the Energy performance contracting in public street lighting conference in January.

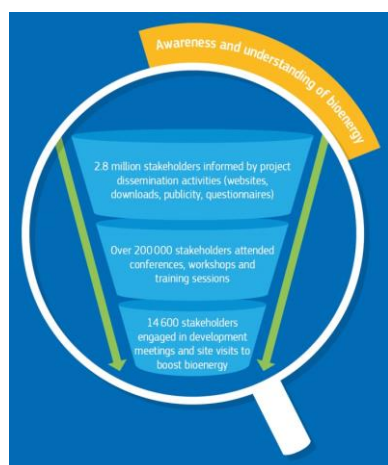
- The World Sustainable Energy Days in Wels, Austria in February with 3 presentations from the Agency showcasing project results.
- The Agency participated in Bremen in the 3rd European Conference on Sustainable Urban Mobility Plans in April.
- The Agency participated in the European Council for an Energy Efficient Economy (ECEEE) conference in September dedicated to Energy Efficiency in Industry with a presentation on "Accelerating industrial Energy Efficiency Investments" illustrated by IEE/H2020 projects stemming from both the industry and finance topics.
- The Agency participated in the Central and Eastern European Energy Efficiency Forum (C4E Forum) in June 2016, in Bulgaria. The Agency gave two presentations on 'Innovative financing for building renovation – examples of successful schemes' and on 'Support for implementation of building policies and regulations'. The Agency also took part in a 'Project Lab' and presented current H2020 funding opportunities on energy efficiency.
- A conference was organised in Brussels to present the final results of the impact assessment "Review of bioenergy projects implemented under IEE II". The event was very successful, with 92 participants, including EU policy makers, main stakeholders in the bioenergy and biomass sector (see text in box).

EU added value of the Intelligent Energy Europe programme

Of particular relevance are the results of the [IEE Bioenergy projects evaluation](#). The IEE II programme has supported 47 bioenergy projects with EUR 48.3 million of funds from 2007 to 2013. IEE II bioenergy projects in total accounted for around 4% of the total EU support for bioenergy during the 2007-2013 (total EUR 1.2 billion). The final period of the review, released in 2016, shows how IEE II bioenergy projects resulted in an increased uptake of bioenergy in Europe, beyond that that would have been achieved by EU and national Member State policy alone, and how they will continue to influence the sector now and into the foreseeable future.



The IEE II programme triggered over 1.65 Mtoe of bioenergy and saved 5.7 Mt of carbon dioxide emissions, predominantly from heat production, and stimulated over EUR 0.9 billion investment in bioenergy. These are conservative figures, and if available data is taken into account then the achieved impact of the IEE II programme could be much higher. More than 2.8 million stakeholders were informed on bioenergy, more than 200,000 were involved in capacity building activities and events and 14,600 were engaged in development meetings and site visits. A wide range of stakeholders were involved: 13,300 farmers, 19,150 foresters, 18,100 representatives of SMEs, 15,200 decision makers, 7,000 representatives of local authorities and 5,000 experts. The programme contributed to the development of 443 business plans and 1,536 feasibility studies, resulting in the concrete implementation of 236 biomass supply chains. IEE II bioenergy projects have been linked directly with the development of over 400 plants



across the EU, representing over 165 MW. IEE II bioenergy projects are likely to have mobilised approximately 2.97 Mtoe of biomass feedstock between 2010 and 2016. This equates to 1.2 Mtoe. In terms of bioenergy carriers approximately 1.71 Mtoe were produced in the same timeframe. The leverage effect of the IEE II programme has been EUR 18.9 million investment and 0.035 Mtoe of bioenergy generated per million EUR of EU funding in bioenergy related projects.

The IEE II bioenergy projects provided also support to policy development and implementation. Direct contacts occurred with 560 policy makers, with many more

attending conferences or other events. A total of 76 biomass action plans, roadmaps or implementation plans were developed. These resulted in 39 action plans or project recommendations implemented at the regional level and 17 at national level. Policy makers provided 130 letters of intent to take into account the project results. Furthermore, a number of European Commission studies have taken into account the outcomes of IEE II bioenergy projects such as Biomass Futures and Biomass Policies.

1.6 CIP Eco-Innovation

One of the key objectives of the Entrepreneurship and Innovation Programme (EIP) is to support eco-innovation. Eco-innovation projects focus on cleaner production, environmental management and new products and services to make sustainable development become a business reality. Projects come from sectors like Food and Drink, Construction material, Water management or Waste and Recycling.

The last call for proposals was published in 2013, but there are still around 130 projects ongoing which will come to an end only by 2018-2019. 1/3 of these projects were visited by the Agency's project advisors for guidance, advice and monitoring. The Agency assessed around 75 project reports on their progress and results and issued 93% of payments within the legal deadline.

One of the highlights in 2016 was a Business-to-Investors (B2I) matchmaking event, hooked to the 20th Forum on Eco-Innovation in Tallinn. The B2I event was organised under the leadership of EASME and replaced the Eco-innovators Day, listed in the 2016 WP. The B2I-formula was found to be more promising in terms of establishing concrete business relationships between (previously) funded businesses and qualified investors in the Cleantech sector.



Companies were selected mainly from those participating in the CIP Eco-Innovation programme. Since the LIFE programme will continue to finance close-to-market projects, a selection of LIFE projects actively participated too. Around thirty selected companies had already started to industrialise and commercialise their eco-innovative products, technologies and processes during their projects, but in order to expand and strengthen their activities they are seeking for new business partners.

On the finance side, ten investors, seeking out business opportunities in the Cleantech sector, participated to the B2I. Investors constituted a varied group that included banks, private and public investment funds, venture capitalists, crowd funders, business angels, thus representing a wide portfolio of investment instruments. A total of 110 bilateral meetings among companies and investors have been held.

It is a good sign, that more than half of the present projects were in fact already closed and participated on their own costs. It shows that business opportunities that were created during the project (with EU funding support) are for real, which makes projects sustainable and independent from further public funding.

EU added value of the Eco-Innovation programme

In 2015 a study on the economic and environmental impacts of CIP Eco-innovation demonstrates that the majority of the CIP Eco-innovation projects are multi-national in terms of their consortium: around 75% of the projects originate from at least two countries. The average number of participants per project is 4, which is substantial considering that there was no legal obligation of multi-partnership. Only 7% are projects with only one participant, creating the EU added value for instance by selling their eco-innovative products beyond the own country borders or by licencing their solution to other companies.

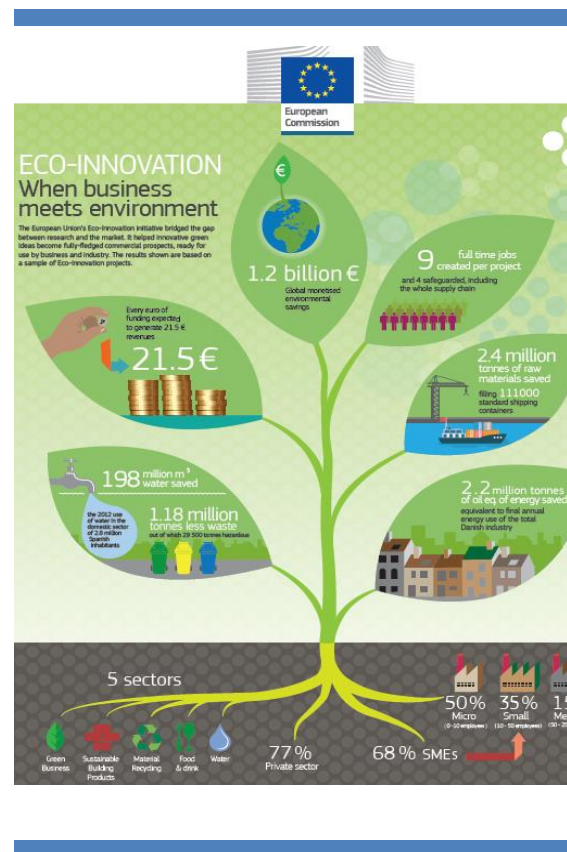
The following 2 projects are examples of EU added value in terms of green jobs created:

PHOBIOR: Ecoduna, the project coordinator, is the global technology leader in the construction of alga culture systems. Their worldwide-patented process enables a continuous, industrial-scale production of biomass with the greatest possible conservation of resources and the environment. Within the Eco-innovation project, Ecoduna managed to up-scale an innovative photo-bioreactor production of omega-3 fatty acids out of algae for human nutrition while using CO₂ to nourish the algae. They grew from a start-up enterprise at the beginning of the Eco-I project Phobior to a business with 20 employees, targeting duplication by 2018 and entering the stock market by 2019.

Ecoduna's technology was recognised with numerous awards like the 2014 Energy Globe World Award and raised investors' at the Business to Investors event organized in Tallinn in October 2016.

ECO-BIS: The project offers a new market solution to make the waste water cleaning process of industrial and municipal waste water treatment plants more ecological and efficient and to recycle sewage sludge waste into a high value added resources (ie. biochar).

Greenlife Ressourcen GmbH, the company coordinating the project, realized the first full-scale application in Austria and managed to realize two additional market replication plants, one in Austria and one in Hungary. The project generated about 750,000 euro during the project implantation already. These revenues are related to three main activities: cleaning waste waters of clients, taking over about 2,000 tons of sludge from external sources to be traded, selling about 1,100 tons of biochar as soil improver.



2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

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

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

The second subsection deals with the other components of organisational management: human resources, 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 (Acting) Director. The reports produced are:

- the AOSD reports submitted by the Heads of Unit and the Heads of Department;
- the contribution of the Internal Control Coordinator, including the results of internal control monitoring at the Agency level;
- the audit reports of the ex-post control function;
- the opinion, the observations and the 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 of EASME.

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

The EASME implements the delegated programmes autonomously with the Director acting as authorising officer by delegation (AOD). Accordingly, the Agency manages the EU programme budgets on a direct management mode. To this end, the Agency mainly awards grant agreements through open calls for proposals while a small share of the programmes' budgets (about 3%) is also implemented through procurement contracts. In addition, the Agency manages its own administrative budget.

OPERATIONAL Budget 2016		OPERATING (administrative) Budget 2016	
COMMITMENTS (C1) (Budget)	PAYMENTS (Budget)	COMMITMENTS (C1) (Budget)	PAYMENTS (Budget)
1,321,646,684	1,000,069,904	35,848,913	35,848,913

Table 5: Overview of EASME budget

As regards the Operational Budget, the Commitment appropriations (C1) amounting to a total EUR 1,321,646,684 and the Payment appropriations amounting to a total EUR 1,000,069,904 have been fully implemented (100%).

All financial operations (both operational and operating) are based on a partially decentralised financial circuit (with counterweight – financial part of the transaction executed by the Finance Unit).

Operational Budget execution per programme PAYMENTS 2016	ALL fund sources		C1 fund source	
	(million EUR)	%	(million EUR)	%
COSME	47.17	4.65%	46.41	4.64%
H2020	809.30	79.86%	798.12	79.81%
EMFF	7.85	0.77%	7.85	0.78%
LIFE	93.41	9.22%	93.41	9.34%
Legacy - EEN (2007-2013)	0.79	0.08%	0.61	0.06%
Legacy - IEE II (2007-2013)	40.42	3.99%	40.00	4.00%
Legacy - ECO-I (2007-2013)	14.47	1.43%	13.66	1.37%
TOTAL	1,013.41	100.00%	1,000.06	100.00%

Table 6: EASME payments in 2016

In 2016, the Agency managed financial operations for COSME, LIFE, H2020 and EMFF programmes as well as for the legacy programmes (EEN, IEE II, ECO-I). As indicated in the previous table, the majority of the payment appropriations have been used for H2020 (i.e. 79.86% of the total) and for LIFE (i.e. 9.22%).

The share of the legacy has significantly decreased in 2016 representing 5.49% of the total payment appropriations (compared to 14.96% in 2015).

As for financial management, the table below shows the results against the targets as given in the 2016 Work Programme.

Indicator: time to pay																															
Target		Result (31/12/2016)																													
100% of all payments within legal deadlines		96% of all payments within legal deadlines																													
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Indicator: % of budget execution (commitments and payments) with respect to budget appropriations ⁴²																															
Target		Result (31/12/2016)																													
Operational budget: 100% in commitments 100% in payments		Operational budget: 100% in commitments 100% in payments																													
Operating budget: 100% in commitments 100% in payments		Operating budget: 99% in commitments 87% in payments																													

Table 7: Financial management KPIs

Overall, the objectives of the Agency are largely met in 2016.

In terms of Time to Pay (TTP), despite an increase of 32% of the total number of financial transactions executed in 2016 compared to 2015, the overall TTP (all payment deadlines combined) has improved (from 94% to 96%). Moreover, the number of transactions with a legal deadline of 90 days has almost doubled (+82%) compared to

⁴² C1 appropriations

2015 while maintaining a high level (97%) of payments processed on time (2015: 98%).

Concerning the budgetary execution, the operational budget has been fully executed (both in commitments and payments) and there has been a higher execution (especially in payments) concerning the operating budget (from 84% in 2015 to 87% in 2016).

The initially adopted **Operating Budget** 2016 (EUR 39,134,135) was modified by the Steering Committee as to reduce the overall amount of the budget by EUR 3.29 million, resulting in a final budget of EUR 35,848,913. The execution of commitment appropriations amounts to EUR 35,507,739 (99.05% of the available budget). The execution of payments in 2016 on C1 appropriations amounts to EUR 31,066,139 representing 86.66% of the available budget (the difference being carried forward in 2017 and to be paid on C8 appropriations in 2017).

OPERATING Budget's title	BUDGET 2016		Commitments made in 2016 (million EUR)	Payments made in 2016 (million EUR)
	Amount (million EUR)	% by title		
Title 1	27,926	78%	27,657	27,012
Title 2	3,786	11%	3,745	2,496
Title 3	4,137	12%	4,106	1,558
Total	35,849	100%	35,508	31,066

Table 8: administrative budget per title

The split of the administrative budget per programme delegated to the Agency is shown in the table below⁴³.

Programme	Budget 2015 Million EUR	Budget 2016 Million EUR
COSME	8.048	7.005
H2020	20.825	21.799
LIFE	5.609	4.472
EMFF	1.906	2.573
TOTAL	36.388	35.849

Table 9: administrative budget per programme

At the end of each financial year, a special reporting on the implementation of the administrative budget applies, resulting in the decision of the European Parliament regarding the discharge to the Director.⁴⁴ The ECA audit on the 2015 annual accounts took place in April 2016. The Court expressed the opinion that the Agency's 2015 annual accounts presented fairly its financial position. The transactions underlying the annual accounts were legal and regular in all material aspects. Two comments were raised

⁴³ Initial foreseen 'ex ante'-budget, not actual costs paid by parent DGs 'ex post'.

⁴⁴ Standard financial regulation for executive agencies – Commission regulation 1653/2004 of 1st September 2004, Title VI as amended by Commission Regulation No 651/2008 of 9th July 2008.

related to reducing the carry-over of committed appropriations to 2016 and better respecting the budgetary principle of annuality. These points do not call the Court's positive opinion into question and have been properly addressed in the Agency's replies and actions. The European Parliament is expected to give the discharge for the implementation of the 2015 administrative budget to the Director in the first semester of 2017. Since the beginning of the Agency's autonomy, each year the European Parliament granted discharge to the Director and did not raise observations which directly concern the implementation of the Agency's administrative budget.

2.1.1 Control results

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives⁴⁵. The Agency'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.

Coverage of the Internal Control Objectives and their related main indicators

- *Control Effectiveness as regards legality and regularity*

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

Regarding the legality and regularity of the underlying transactions, the objective is to ensure that the estimated residual risk of error is less than 2%, at the end of the implementation of the programme⁴⁶. The residual risk of error is estimated by the residual error rate obtained from an examination of value targeted sampled transactions⁴⁷ less any corrections made resulting from the supervisory and control systems in place.

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

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

⁴⁵ 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).

⁴⁶ For Horizon 2020, the control system established is aiming to a detected error rate ranging from 2 to 5% (as close as possible to 2%, after corrections).

⁴⁷ Such sampling is not fully statistical representative. However for the EASME programmes populations, based on our experience from managing the legacy programmes and to the best of our knowledge, there are no indications, at ex-post level, for inherently higher error rates in the larger participations; thus the value - targeted audits are considered as being a non-biased 'proxy, i.e. at least random enough to enable drawing conclusions from them. In accordance with DG BUDG guidelines, this approach is considered the second-best alternative as a proxy to a fully representative or random sample.

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

Based on the information and the assessment of the elements, the Agency concludes that there are two reservations applicable to the EASME for the reporting year 2016, one for the CIP IEE II and one for the ECO I programmes (Budget line: 32.04 53 00 and 02.04 53 00 respectively) for which the residual error rate is estimated at 3.8% and 6.0% respectively).

For EASME, the weighted average detected error rate of the legacy programmes (CIP EEN, CIP IEE II, ECO I programmes), based on the Agency's multi-annual ex-post audit strategy was calculated at 4.6%. It should be noted that the majority of the payments performed in 2016 were related to the newly delegated programmes (H2020, EMFF, LIFE and COSME). However, the results of the audits on the newly delegated programmes were not available as of 31/12/2016 since these programmes had not yet reached the corresponding level of maturity. Therefore, the first indications for the error rates (detected, representative and residual) on the newly delegated programmes are expected for the next annual report. Based on a conservative approach, the Agency applied the same weighted average detected error rate to the newly delegated programmes.

For EASME, the estimated overall amount at risk for the payments of the operational budget made in 2016 is EUR 14,601,664.81. 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.

As far as the operating budget is concerned, given the fact that it has been continuously audited by the European Court of Auditors without producing any material findings, the Agency considers the risk of error as low (i.e. around 0.1%). The estimated amount at risk for the payments of the operating budget made in 2016 is EUR 36,286.72.

The estimated overall amount at risk for the payments made in 2016 is EUR 14,637,951.53, corresponding to an overall average error rate of 4.1%. This is the AOD's best, conservative estimation of the amount of relevant operational expenditure during the year (EUR 354.41M) not in conformity with the applicable contractual and regulatory provisions at the time the payment is made.

DG BUDG provided the overall average corrective capacity of EASME at 4.1% of the average annual payments concluded by the Agency. However, the corrective capacity based on the ex-post controls conducted by the Agency on interim and final payments over the period 2009-2016 is on average 0,13%⁴⁸. Taking a conservative approach, the Agency applied the corrective capacity based on ex-post controls to estimate the future corrections.

The conservatively estimated future corrections for those 2016 payments made are EUR 413,554.78. This is the amount of errors that the Agency conservatively estimates to identify and correct from controls that it will implement in the successive years.

The difference between the estimated overall amount at risk and the conservatively estimated future correction leads to the estimated overall amount at risk at closure of EUR 14,224,396.75.

⁴⁸ The corrective capacity excludes any ex-ante corrections, ROs on the EU Subsidy etc.

Estimated overall amount at risk at closure

EASME	"payments made" (FY; m€)	<i>minus</i> new ^a prefinancing [<i>plus</i> retentions made ^b] (in FY; m€)	<i>plus</i> cleared ^c prefinancing [<i>minus</i> retentions (partially) released ^b and deductions of expenditure made by MS] (in FY; m€)	= "relevant expenditure"^d (for the FY; m€)	Average Error Rate (<i>weighted AER</i> ; %)	estimated overall amount at risk <i>at payment</i> (FY; €)	Average Recoveries and Corrections (<i>adjusted ARC</i> ; %)	estimated future corrections [and deductions] (for FY; €)	estimated overall amount at risk at closure^e (€)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Programme, Budget Line(s), or other relevant level	as per AAR annex 3, table 2	as per ABAC DWH BO report on prefinancing ^f	as per ABAC DWH BO report on prefinancing ^f	= (2) – (3) + (4)	Detected error rates, or equivalent ^g estimates	= (5) x (6)	<i>based on 7Y-avg historic ARC (as per ABAC DWH BO report on corrective capacity)^f: (4.1%), but adjusted to 0.13% to be the best but conservative estimate for the current MFF</i>	= (5) x (8)	= (7) – (9)
Operational budget	1,013.41	795.84	100.55	318.12	4.6%	14,601,664.81	0.13%	413,554.78	14,188,110.03
Operating budget	36.29	0.00	0.00	36.29	0.1%	36,286.72	0.00%	0.00	36,286.72
Total (M€)	1,049.70	795.84	100.55	354.41	4.1%	14.64	0.12%	0.41	14.22

^a New PF actually paid by out the DG itself during the FY (i.e. excluding any PF received as transfer from another DG)

^b In Cohesion, the (10%) retention made/released by the Commission

^c PF actually having been cleared during the FY (i.e. their 'delta' in FY actuals, not their 'cut-off' based estimated 'consumption')

^d 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), also our concept of "relevant exposure" includes the payments made, subtracts the new pre-financing paid out [*& adds the retentions made*], and adds the previous pre-financing actually cleared [*& subtracts the retentions (partially) released and any deductions of expenditure made by MS in the annual accounts*] during the FY. This is a separate and 'hybrid' concept, intentionally combining elements from the budgetary accounting and from the general ledger accounting.

^e For some programmes with no set closure point (e.g. EAGF) and for some multiannual programmes for which corrections are still possible afterwards (e.g. EAFRD and ESIF), all corrections that remain possible are considered for this estimate

^f [*preferably to be*] differentiated at a level lower than the DG total

^g In Shared Management, e.g.: "validated/adjusted error rates", "residual error rates at MS-level, as reported by the MS Audit Authorities and applied/adjusted/projected by the DG", etc.

^h Even though based on the 7 years historic average of recoveries and financial corrections (ARC), which is the best available indication of the corrective capacity of the ex-post control systems implemented by the DG over the past years, the AOD [*has adjusted*] this historic average. Any coding errors, ex-ante elements, one-off events, (partially) cancelled or waived Recovery Orders, other factors from the past years that would no longer be relevant for current programmes (e.g. higher ex-post corrections of previously higher errors in earlier generations of grant programmes) [*have been*] adjusted in order to come to the best but conservative estimate of the expected corrective capacity average to be applied to the reporting year's relevant expenditure for the current programmes in order to get the related estimated future corrections.

[*This may include considering a more recent historic average (e.g. AGRI taking the last 3 years as basis), considering the possibilities and/or limitations for ex-post control as altered for the current programmes delivery mechanisms (e.g. Cohesion/Research), or even considering that the ex-post future corrections would be 0.0% (e.g. DGs with entirely ex-ante control systems).*]

Overarching objective: The Authorising Officer by Delegation should have reasonable assurance that resources have been used 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 including prevention, detection, correction and follow-up of fraud and irregularities.

Objective 1: Effective and reliable internal control system giving the necessary guarantees concerning the legality and the regularity of the underlying transactions	
Indicator 1: Estimated residual error rate	
Source of data: EASME multi-annual ex-post control strategy, H2020 audit strategy	
Target	Result
IEE, Eco-innovation, EEN, EMFF, COSME, LIFE: below 2% H2020: as close as possible to 2% (within the range of 2-5%) (as per H2020 audit strategy)	IEE I: 1.5% IEE II: 3.8% Eco-innovation: 6.0% EEN: 1.7% COSME, LIFE, EMFF, H2020 ⁴⁹ : No data available yet.
Indicator 2: Estimated overall amount at risk for the year for the entire budget under the Agency's responsibility.	
Target	Result
Below the materiality threshold of 2%	4.1% 14,637,951.53 €
Indicator 3: Estimated future corrections	
Source of data: average corrective capacity based on the ex-post controls conducted by the Agency on interim and final payments over the period 2009-2016	
Target	Result
All corrections as proposed in the ex-post audits implemented.	413,554.78 €

Based on the information and the assessment of the available elements, the Agency concludes that there are two reservations applicable to the EASME for the reporting year 2016, one for the CIP IEE II and one for the CIP ECO - Innovation programme (Budget line: 32.04 53 00 and 02.04 53 00 respectively) for which the residual error rate is estimated at 3.8% and 6% respectively.

The share of the CIP legacy has significantly decreased in 2016 representing less than 5.5% of the total payment appropriations (compared to approximately 15% in 2015). Despite the fact that the vast majority of the payments performed in 2016 related to the newly delegated programmes (H2020, COSME, LIFE, EMFF), the Agency, given the relative increase in the error rates, intensified further its ex-ante controls on the IEE and CIP Eco-Innovation programme, in an effort to detect and correct errors earlier in the lifecycle of the projects.

Specifically, the Agency has already implemented the following remedial actions: (a) a workshop, with the operational and financial teams of EASME, to share lessons learned from the execution of the ex-post controls, prevent and detect errors earlier enhancing further its ex-ante controls; (b) a communication to all IEE and Eco-Innovation beneficiaries about the most common sources of errors took place and useful tips in order to avoid them has been provided. Moreover, the Agency will continue to address the

⁴⁹ For H2020, given the stage of the programme lifecycle, very few cost claims were received by the services before the second half of 2016. The first indications for the error rates (detected, representative and residual) are expected for the next annual report.

issue during the course of 2017 aiming at a final multi-annual error rate below 2% for the both legacy programmes.

Cost-effectiveness and efficiency

Objective 2: Effective and reliable internal control system in line with <u>sound financial management</u>.	
Indicator 1: conclusion reached on cost effectiveness of controls	
Source of data: project management IT-tools, H2020 IT-tools, HR systems, 2014 AAR	
Target	Result
Controls are cost effective	Controls are cost effective
Indicator 2: benefit of controls vs cost of controls	
Source of data: EASME calculations	
Target	Result
Benefit of controls outweigh the cost of controls	Benefits outweigh the cost of control with a ratio of 1,3. Benefits grant management = 53,0 MEUR Costs grant management = 40,4 MEUR
Indicator 3: the ratio of administrative costs compared to the operational budget implemented	
Target	Result
Below 10%	3,1%
Indicator 4: number of critical / very important accepted audit recommendations overdue by more than six months	
Target	Result
None	None

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

The conclusions on the cost-effectiveness of controls are both based on two factors:

1) Costs of control over the value of the related funds managed⁵⁰ = 3,1% which is in line with the average of the Research Family. Furthermore this ratio includes the costs paid to experts from the Agency's administrative budget⁵¹, whereas in other entities this is generally paid from the operational budget. Making abstraction from the expert costs, the ratio results in 2,9%.

2) The overall comparison of the costs and benefits of controls, applied on grant direct management, the core activity of EASME⁵². As further detailed below on page 71, the benefits of grant management outweigh the costs of controls with a factor of 1,3.

Further, the Agency demonstrates satisfactory results for the three efficiency indicators time-to-inform, time-to-grant and time-to-pay.

To different control indicators and results are further illustrated and explained in the section below for the grant direct management process, the core activity of the Agency.

⁵⁰ This ratio covers all the payments on the operational budget versus all payments on the administrative budget. Given that the Agency manages as well procurement to a limited extent, this ratio covers the cost-effectiveness of the totality of activities carried out by the Agency, including grant management and procurement. 3,1% = 31 MEUR / 1 billion EUR.

⁵¹ Experts for the LIFE programme are paid from the administrative budget (2,2 MEUR). However, when these experts costs would be paid from the operational budget, then the ratio is 2,9% (=28,8 MEUR / 1,002 billion EUR).

⁵² Structured in line with the internal control template in annex 5

Control results for grants under direct management

The control system for grant direct management is divided into four distinct stages: (i) programming, evaluation and selection of proposals, (ii) contracting, (iii) monitoring and (iv) ex-post controls. Key indicators have been defined for each stage covering control effectiveness and control efficiency. An overview of all costs and benefits (quantifiable and non-quantifiable) and cost-effectiveness ratios of the internal control system is presented at page 71.

As the Agency manages both legacy programmes and new programmes delegated since 2014, the stages applicable to the various programmes are different according to the status of their lifecycle:

Programme	Stage 1 Evaluation and Selection	Stage 2 Contracting	Stage 3 Monitoring	Stage 4 Ex-post controls
legacy CIP EEN	Not applicable	Not applicable	X	X
legacy IEE	Not applicable	Not applicable	X	X
legacy CIP Eco Innovation	Not applicable	Not applicable	X	X
COSME	X	X	X	Not applicable
H2020 - Innosup	X	X	X	Not applicable
H2020 SME & FTI	X	X	X	Not applicable
H2020 Energy	X	X	X	Not applicable
H2020 Environment & Resources	X	X	X	Not applicable
LIFE	X	X	X	Not applicable
EMFF	X	X	X	Not applicable

Stage 1: programming, evaluation and selection of proposals

The first stage encompasses the preparation, adoption and publication of the Annual Work programme and calls for proposals as well as the evaluation, ranking and selection of proposals and informing the applicants on the results. The main control objectives are to ensure that the Agency selects the most promising proposals contributing the best towards the achievement of the programme and operational objectives, and compliant with the eligibility, selection and award criteria.

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

Key indicators

1a) Control effectiveness ratios

Control effectiveness ratios - calls	COSME	H2020 INNO-SUP	H2020 SME & FTI	EMFF	H2020 ENERGY	H2020 ENV & RESOURCES	LIFE
% number of calls successfully launched / number of calls planned in the (revised) AWP	66,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
% of budget value implemented / budget allocated (for commitments from calls 2015 managed in 2016)	99,5%	100,0%	98,9%	100,0%	98,9%	100,0%	99,9%
% of budget value implemented / budget allocated (for commitments from calls 2016 managed in 2016)	26,7%	9,4%	72,2%	3,6%	47,1%	42,6%	4,0%

The Agency concluded successfully all the calls planned in the 2016 Annual Work Programme, for the programmes delegated as from 2014, with the exception of the Competitiveness of Small and Medium-sized Enterprises (COSME), where 44% of the calls have not been delegated or have been postponed.

The budget allocated for calls published in 2015 has been fully implemented (or committed) for most of the programmes in 2016. For calls published in 2016, the Agency started to commit funds which will be further managed in 2017.

As mentioned earlier, the legacy programmes are currently being phased out and no new calls have been launched since 2014.

Control effectiveness ratios - proposals	COSME	H2020 INNO-SUP	H2020 SME & FTI	EMFF	H2020 ENERGY	H2020 ENV & RESOURCES	LIFE	TOTAL
Submitted proposals	59	347	13168	188	289	312	1135	15498
Inadmissible proposals	0	2	27	2	2	8	0	41
Ineligible proposals	5	4	155	5	3	5	2	179
Withdrawn/duplicate proposals	0	0	14	0	0	3	0	17
Eligible proposals (subject to evaluation)	54	341	12972	181	284	296	1133	15261
Proposals selected for funding - "main" list	21	168	1151	22	37	51	160	1610
Proposals selected for funding - "reserve" list	1	43	0	0	7	1	40	92
Total selected proposals for funding	22	211	1151	22	44	52	200	1702
% success rate : number of selected (funded) vs eligible proposals	40,7%	61,9%	8,9%	12,2%	15,5%	17,6%	17,7%	11,2%

Following the evaluation of proposals against a set of eligible, selection or award criteria, and depending on the nature of the programme⁵³, about 9 to 62% of the eligible proposals were recommended to receive funding. As pointed out in part 1, the H2020 SME instrument continues to attract a record number of proposals showing a great interest of SMEs in the funding scheme, resulting in a wider range of selecting the best

⁵³ Figures for 2016 include all calls evaluated in 2016, independently of the launch of the call (2015 or 2016). Success rate for LIFE is an average; the success rate for the different sub-programmes are: 53,8% for LIFE; 100% for NGO; 31,7% for CLIMA; 10,6% for ENV; and 18% for NAT

proposals.

Control effectiveness ratios - evaluation review requests	COSME	H2020 INNO-SUP	H2020 SME & FTI	EMFF	H2020 ENERGY	H2020 ENV & RESOURCES	LIFE
Proposals evaluated	54	341	12972	181	284	296	1133
Evaluation review requests received	0	0	134	2	0	7	11
Evaluation review requests leading to a re-evaluation (target <=1)	0	0	0	0	0	2	1
% of evaluation review requests vs proposals evaluated (target < 3%)	0,0%	0,0%	1,03%	1,1%	0,0%	2,4%	1,0%
% of review requests leading to re-evaluation vs proposals evaluated	0,00%	0,00%	0,00%	0,00%	0,00%	0,68%	0,09%

The Agency received a very low number of evaluation review requests ranging from 0% to 2.4% of the number of proposals evaluated, all below the target of 3%. Only three review requests led to a re-evaluation of the proposals, representing respectively 0,68% and 0.09% of the proposals evaluated for the concerned programmes H2020 Environment & Resources and LIFE. The overall low number of redress procedures provides a good indication of the robustness of the grant award process and assurance on the effectiveness of the internal control system.

1b) Control efficiency ratios

Control efficiency - Average time to inform (TTI)	COSME	H2020 INNO -SUP	H2020 SME phase I	H2020 SME phase II	FTI	EMFF	H2020 ENERGY	H2020 ENV & RESOURCES	LIFE
Target TTI	183	153	61	122	92	183	153	153	183
Result TTI	120	126	45	57	87	166	119	106	135

The evaluation exercises have been carried out in an efficient manner. For all programmes, the average time-to-inform results demonstrate a faster response to the applicants than the originally scheduled target.

1c) Benefits stage 1

Benefits stage 1	COSME	H2020 INNO-SUP	H2020 SME & FTI	EMFF	H2020 ENERGY	H2020 ENV & RESOURCES	LIFE
% success rate : selected (funded) vs eligible proposals	40,7%	61,9%	8,9%	12,2%	15,5%	17,6%	17,7%
Requested funding ineligible proposals	€0	€4.906.425	€122.498.687	€900.248	€975.000	€3.041.007	€121.683
Benefit (requested funding ineligible proposals * success rate)	€0	€3.035.940	€10.869.256	€109.422	€151.056	€534.231	€21.480
Total benefit	€14.721.386						

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

Nevertheless a quantifiable benefit might be the detection of ineligible proposals. In case of non-detection, some of these proposals might have been selected. The avoided loss is therefore estimated at EUR 14,7 million.

Stage 2: contracting

The second stage concerns the final selected proposals and the adjustment phase of contracts. The overall control objective of this stage is to ensure that the actions and funds allocation is optimal (best value for public money) and that each of the selected proposals is translated into a legally binding grant agreement allowing for sound management. The adjustment process excludes work not directly contributing to the achievement of the programme objectives, substantiates the project costs, and determines the duration of the project and the contribution from the EU budget.

Key controls include: the implementation of the evaluators' recommendations; the hierarchical validation of the proposed adjustments; the verification of the operational and financial viability and the signature of the grant agreements by the AOSD.

Key indicators

2a) Control effectiveness

The financial impact of the adjustment process is defined as the reduction (expressed as a percentage) of the EC contribution to the grant agreements as a result of the adjustment process. Detailed figures are shown below:

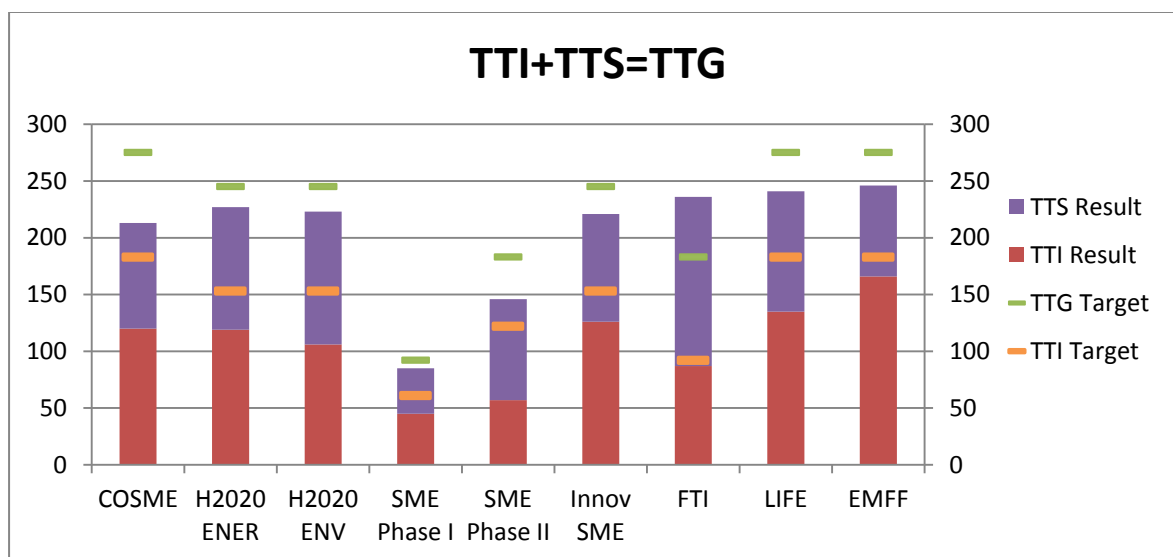
Financial impact of the adjustments = benefits stage 2	COSME	H2020 INNO-SUP	H2020 SME & FTI	EMFF	H2020 ENERGY	H2020 ENV & RESOURCES	LIFE	TOTAL
Number of GA signed	92	49	975	17	61	65	247	1.506
EC funding requested in proposals	€154.781.974	€41.902.851	€520.051.976	€8.649.013	€139.758.916	€368.402.894	€277.858.891	€1.511.406.515
EC funding provided in signed GA	€152.270.406	€41.902.851	€519.247.000	€8.607.484	€138.898.757	€368.012.233	€262.409.080	€1.491.347.812
Difference EC funding	€2.511.568	€0	€804.976	€41.529	€860.159	€390.661	€15.449.811	€20.058.703
Reduction rate	1,62%	0,00%	0,15%	0,48%	0,62%	0,11%	5,56%	1,33%

The adjustment rate varies from 0 to 5,56%. In the case of H2020 programmes, given that no adjustment phase is foreseen, the difference between the recommended funding and the final awarded grant is rather limited. As a consequence of the grant preparation phase, a total of EUR 20 million was reduced from the awarded funding. This can be considered as a quantifiable benefit of the contracting phase in 2016.

2b) Control efficiency

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

Control efficiency - Average time to grant (TTG)	COSME	H2020 INNO-SUP	H2020 SME phase I	H2020 SME phase II	FTI	EMFF	H2020 ENERGY	H2020 ENV & RESOURCES	LIFE
Target TTG	275	245	92	183	183	274	245	245	274
Result TTG	213	221	85	145	236	153	227	223	241



The average time to grant is below the target for all programmes, except for the Fast Track Innovation Instrument (FTI) where the limit of 6 months is exceeded with around 50 days, as explained in the executive summary.

Stage 3: monitoring the execution

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

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

Key indicators

3a) Control effectiveness

Detected errors											
ex-ante controls		H2020	legacy	H2020		H2020	legacy	H2020		legacy	
= benefits stage 3	COSME	INNO-SUP	CIP EEN	SME & FTI	EMFF	ENERGY	IEE	ENV & RESOURCES	LIFE	CIP ECO-Innovation	TOTAL
value of cost claims controlled ex-ante	€17.707.072	€3.260.160	€3.564.901	€141.123.651	€3.941.199	€17.512.705	€78.319.980	€24.368.864	€16.104.896	€26.947.212	€332.850.640
value rejected costs	€369.262	€24.778	€96.712	€1.355.468	€21.789	€228.028	€7.975.251	€6.372	€516.839	€5.455.692	€16.050.191
% detected errors ex-ante controls	2,09%	0,76%	2,71%	0,96%	0,55%	1,30%	10,18%	0,03%	3,21%	20,25%	4,82%

The ex-ante controls aim to identify and prevent irregularities, allowing for immediate correction and avoid time-consuming recovery actions. As can be concluded from the table, the ex-ante controls result in a considerable amount of detected errors and rejected costs in the cost claims submitted by the beneficiaries for a total value of more than EUR 16 million. This can be considered as a quantifiable benefit of the contracting phase in 2016.

For the newly delegated programmes, the major part of payments made in 2016 relate to pre-financings and to a lesser extent interim payments, whereas the ex-ante controls on the legacy programmes are related to final payments. This explains to a certain extent the generally lower ex-ante error rates for new programmes and higher ex-ante error rates for legacy programmes. Other factors reducing the ex-ante error rates are preventive and educative measures taken versus beneficiaries to increase the compliance with the grant agreement rules.

3b) Control efficiency

Control efficiency -										
Average time		H2020	legacy	H2020		H2020	legacy	H2020		legacy
to pay	COSME	INNO-SUP	CIP EEN	SME & FTI	EMFF	ENERGY	IEE	ENV & RESOURCES	LIFE	CIP ECO-Innovation
Average time to pay : % of payments within the legal deadlines	99%	99%	94%	95%	100%	99%	98%	100%	100%	93%

As can be seen from the table above, the vast majority of the payments of the Agency are performed within the legal deadlines⁵⁴.

⁵⁴ See part 2.1. page 54

Stage 4: managing ex-post controls and implementing results

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

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

As outlined in the table on page 61, given the fact that the majority of projects of the newly delegated programmes to EASME had not reached the appropriate level of maturity (interim/ final payment), the ex-post control audits focused exclusively on the legacy programmes of the Agency⁵⁵.

Key indicators

4 a) Control effectiveness

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

The Agency's ex-post control strategy aims to detect and correct the most significant errors. The Agency focuses on value-targeted audits (aiming at cleaning the largest amount and thus maximising assurance). Such approach is based on selection criteria such as high amounts granted, high number of projects and geographical balance. This approach is considered more control-effective, result in higher returns on investment, has a dissuasive effect and is cost-effective. In addition to the sample based audits, also exceptional and unique risk-targeted audits can be performed to a limited extent following the operational unit's field and desk controls indicating important risks, issues or problems. Due to their specific nature, error rates of these "targeted" audits are not included in the average error rate calculated on the total sample.

⁵⁵ In 2016, ex-post controls were carried out on IEE II, CIP EEN and CIP Eco Innovation. For the COSME, LIFE and EMFF programmes, the Agency has finalised a new multiannual ex-post control strategy in 2016. All ex-post controls of H2020 projects will be performed by the Common Support Centre of DG RTD.

Multi-annual key indicators (ex-post controls 2008-2016)	IEE I	IEE II	CIP EEN	CIP Eco Innovation
Number of ex-post controls	51	80	60	44
Ineligible costs = detected error amount	€98.200,72	€636.118,12	€694.275,00	€551.330,16
Cost accepted and paid ex-ante	€6.188.617,96	€15.899.285,35	€37.350.537,21	€8.641.404,11
Detected error rate	1,6%	4,0%	1,9%	6,4%
Errors corrected (recovery orders recorded in ABAC before 31.12.2016)	€97.531,72	€589.202,01	€562.523,23	€414.733,16
Errors not corrected	€669,00	€46.916,11	€131.751,77	€136.597,00
Uncorrected error rate	0,0%	0,3%	0,4%	1,6%
% budget value parts audited <i>target 5% - 20% by 2020</i>	4,00%	4,21%	12,82%	8,79%
% budget value parts not audited	96,0%	95,8%	87,2%	91,2%
Residual error rate = (% audited * uncorrected error rate)+ (% non audited * detected error rate)	1,5%	3,8%	1,7%	6,0%

On a multi-annual basis, the cumulative residual error rate is below the 2% threshold for CIP IEE I and CIP EEN programmes managed by the EASME.⁵⁶

For the CIP IEE II and CIP Eco Innovation programmes, given the results of the audits that took place in the course of 2016, the cumulative residual error rates at the year-end are estimated at 3.8% and 6.0% respectively, above the materiality threshold of 2% foreseen for the multi-annual period. In line with the guidance developed by DG BUDG on error rates, value at risk and materiality criteria, the Agency decided to make a reservation for the CIP IEE II and CIP Eco Innovation programme, as explained in part 2.1.1.

With regards to the newly delegated programmes (H2020⁵⁷, COSME, LIFE and EMFF), the results of the audits were not available as of 31/12/2016 since these programmes had not yet reached the corresponding level of maturity. Therefore, no detected or residual error rates of these programmes were available.

4 b) Control Efficiency

Recovery status (ex-post controls 2008-2016)	IEE I	IEE II	CIP EEN	CIP Eco Innovation	TOTAL
% of value RO over detected error	99,3%	92,6%	81,0%	75,2%	84,0%
detected error amount	98.200,72	636.118,12	694.275,00	551.330,16	1.979.924,00
errors corrected (before 31.12.2016)	97.531,72	589.202,01	562.523,23	414.733,16	1.663.990,12

From all the detected errors, overall 84% is recovered. The remaining 16% is mainly linked to final audit reports which have been issued near year-end and for which the recovery order is expected to be issued in the first quarter of 2017.

⁵⁶ On a multi-annual basis, risk-targeted audits are not included in the calculation of the average error rate.

⁵⁷ For H2020, given the stage of the programme lifecycle, very few cost claims were received by the services before the second half of 2016. The first indications for the error rates (detected, representative and residual) are expected for the next annual report.

Cost-effectiveness: costs and benefits per stage

STAGES	BENEFITS	staff costs	external /other costs	COSTS	Ratio benefits/costs
Stage 1: evaluation and selection	€14.721.386	€3.307.187	€11.271.886	€14.579.073	1,01
Stage 2: contracting	€20.058.703	€3.307.187		€3.307.187	6,07
Stage 3: monitoring the execution	€16.050.191	€15.354.795	€5.079.711	€20.434.506	0,79
Stage 4: ex-post controls and recoveries	€2.170.246	€1.653.593	€422.207	€2.075.800	1,05
TOTAL	€53.000.526	€23.622.762	€16.773.804	€40.396.566	1,31

The above table gives an overview of all benefits quantified per stage, as described in each stage section⁵⁸, and has been compared to the overall costs. The staff costs of controls related to the four stages of grant management have been estimated taken into account all (i) direct costs, namely the staff of the operational and finance units directly dealing with grant management and (ii) indirect and overhead costs by applying an allocation key of about 75%⁵⁹. The external costs include expenses paid for evaluation and monitoring experts, missions, and the external contractor dealing with ex-post control audits.

As can be concluded from the results, the total benefits of controls for grant management outweigh the total costs with a ratio of 1,3.

In addition there a number of **qualitative** benefits resulting from the controls operated during the different control stages:

Stage 1: A good Work Programme and well published calls generate a large number of good quality projects, from which the excellent ones can be chosen. Expert evaluators bring independence, state of the art knowledge in the field and a range of different opinions, having an impact on the whole project cycle: better planned and better executed projects. Selection controls ensure that the most merited projects are funded. With an otherwise 'random' funding of proposals, a significant part of the EU funds would have gone to less merited and thus maybe less effective projects.

Stage 2: The whole committed budget is checked for quality (prevention of later errors), leading to a higher assurance on the achievement of the project objectives and results.

Stage 3: Monitoring, processing amendments and scrutinising costs claims contributes to the legality and regularity of the transactions.

Stage 4: Ex-post controls have a deterrent and learning effect for beneficiaries, helping to reduce errors in future cost declarations. It enhances the beneficiaries' discipline for correctly reporting eligible costs by demonstrating that their probability to be audited is not negligible. It contributes to the improvement of ex-ante controls and clarification of rules and guidance by feeding back findings from ex-post audits.

⁵⁸ For stage 4, ex-post controls and recoveries, the benefits are calculated for the ex-post controls carried out in 2016, in order to compare costs and benefits on the same annual basis. The figures can therefore not be compared with the figures of the table under 4a) which reflects the multi-annual and cumulative indicators. Further the benefits for 2016 include as well the results of the risk-targeted audits as they contribute to detect and correct errors, in addition to the value-targeted audits. See annex 5.

⁵⁹ The repartition of staff workload over the 4 stages has been estimated as follows: 14% for stage 1, 14% for stage 2, 65% for stage 3 and 7% for stage 4. The number of Full Time Equivalent (FTE) per stage has been multiplied with the commission standard costs (134.000 EUR for Officials and Temporary Agents, and 70.000 EUR for Contractual Agents)

General conclusion

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

EASME has quantified the cost of resources and inputs required for carrying out the controls described in Annex 5 and estimates, as far as possible, their benefits in terms of amount of errors and irregularities prevented, detected and corrected by these controls. Overall, in 2016 the estimated quantifiable benefits exceeded the costs with a factor of 1,3. Compared to last year, the grant management projects have reached the later stages of the project implementation cycle which generates more quantifiable benefits. In addition, there are a number of non-quantifiable benefits resulting from the controls operated during the grant management process, such as the selection of projects that would contribute to the achievements of the policy objectives, and the deterrent effect of ex-post controls. The necessity of these controls is considered undeniable, as the totality of the appropriations would be at risk if they were not in place.

Further EASME's overall management and control cost for the operational budget is limited to 3,1%, which demonstrates a further decrease compared to 2015 (5,5%) and 2014 (15%). This demonstrates that the Agency evolved from the phase-in period to a full implementation phase, resulting in increased payments.

Finally, as outlined in section 2.2 on economy and efficiency initiatives, the Agency has foreseen in leaner and less burdensome controls by reducing the number of actors for certain approval flows, delegating low risk transactions to lower hierarchical levels and handling approval flows in a different, more efficient way. Furthermore the EASME control strategy foresees risk-based controls, by differentiating the type of controls in function of the risk represented by the transactions (less controls for low risk transactions).

Fraud prevention and detection

EASME has developed and implemented its own anti-fraud strategy since 2013⁶⁰, elaborated on the basis of the methodology provided by OLAF. A fully-fledged update of the EASME anti-fraud strategy has been performed in December 2016⁶¹. The update is based on a dedicated fraud risk assessment, takes into account relevant audit work (IAS, ECA, ex-post controls), conclusions from OLAF cases, and the Common Anti-Fraud Strategy in the Research Family.

The Agency monitored closely the implementation status of the anti-fraud action plan. Actions were carried out as planned in 2016. A few concrete examples⁶² of relevant actions on fraud prevention and detection performed include: the organisation of tailor made anti-fraud training sessions for newcomers in cooperation with OLAF; training sessions on the most recent EDES guidance and administrative sanctions; updated guidance on how to tackle fraud and irregularities at the Agency including red flags; sharing feedback on ex-post control findings with the different units, and building a compendium of anonymised fraud cases.

Further the EASME Anti-Fraud Committee⁶³, which has an advisory role on external fraud cases, met 3 times in 2016. During the reporting year 2 new cases were transmitted by the Agency to OLAF. OLAF opened for both cases an investigation.

⁶⁰ EASME's first anti- fraud strategy was adopted on 17.12.2013

⁶¹ Final version issued on 28 February 2017.

⁶² Not exhaustive

⁶³ Set up in June 2014 ARES(1867632), by decision of the Director

The Agency actively participates in the Fraud and Irregularities in Research Committee (FAIR), chaired by DG RTD as well as in the Fraud Prevention and Detection Network (FPD Net) meetings, chaired by OLAF.

The table below shows the results of the objective of the Agency:

Objective 3: Reduction of the risk of fraud to a minimum through application of effective anti-fraud measures, integrated in all activities of the Agency, based on the Agency's anti-fraud strategy (AFS) aimed at the prevention, detection and reparation of fraud.	
Indicator 1: Updated anti-fraud strategy of EASME, elaborated on the basis of the methodology provided by OLAF	
Source of data: EASME Anti-Fraud Strategy, H2020 Anti-Fraud Strategy	
Target	Result:
Update every 2 years: updated strategy available by mid-2016	A fully fledged update of the EASME Anti-Fraud Strategy was performed in December 2016.
Indicator 2: Fraud awareness is increased for target population(s) as identified in the Agency's AFS	
Source of data: EASME Anti-Fraud Strategy, HR systems	
Target	Result:
100% of newcomers trained on anti-fraud	85% of the newcomers were trained on anti-fraud ⁶⁴ during 3 sessions organised in cooperation with OLAF.
Indicator 3: Regular monitoring of the implementation of the anti-fraud strategy and reporting result to management	
Source of data: EASME Anti-Fraud Strategy	
Target	Result:
Twice per year	A detailed follow up of the anti-fraud action plan was performed and reported to EASME Management in December 2016, in the context of the fully fledged update of EASME's anti-fraud strategy. This detailed follow up allowed to define clearly (i) which actions have been implemented in the past and are now "continuous", as well as (ii) which "new" actions will be carried out as from 2017.

Main outputs in 2016:		
<i>Description</i>	<i>Target (date)</i>	<i>Result</i>
EASME Anti-Fraud Strategy update	Q2 2016	Updated in December 2016.
3 Pilot Audits for the newly delegated programmes	Q4 2016	Given the increased error rate as regards Eco Innovation and IEE all audit efforts were concentrated on these two programmes. The pilot audit will be delivered during the course of 2017.
Continuous monitoring of fraud risks and reporting to management	Throughout the year Formal reporting to the parent DGs:	Major fraud risks resulting in OLAF investigations have been reported to the Steering Committee, the mid-year report

⁶⁴ Compared to 54% in 2015. There is a certain part of newcomers, hired later in the year (Q3-Q4), who will follow the anti-fraud training in 2017.

	Steering Committee, bi-annual report and AAR	and the AAR. Potential fraud cases are discussed throughout the year in the EASME Anti-Fraud Committee
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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 limited conclusion of the Internal Auditor on the state of control, which could have a material impact on the achievement of the internal control objectives, and therefore on assurance, together with any management measures taken in response to the audit recommendations.

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

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

IAS

- Audit on the effectiveness of the management of the COSME programme by EASME⁶⁵:
The audit acknowledges that EASME has successfully implemented the delegated COSME actions and identified 3 recommendations including one very important issue, related to the cooperation between EASME and its parent DG for implementing the COSME programme. The Agency submitted an action plan assessed as satisfactory by the IAS⁶⁶. The involved units have already started working on the mitigating controls to tackle the risks identified by the IAS.
- Follow-up audit on the preparedness of the management and control systems for the SME instrument in EASME⁶⁷:

One very important recommendation on guidance to evaluators and quality of evaluations has been closed. A 2nd recommendation on workload has been timely implemented and will be assessed by the IAS in 2017. A 3rd recommendation to improve the control strategy and control framework is due by June 2017.

Further the Agency continued to monitor the progress of the action plan of the IAS audit on "the preparedness of the management and control systems for the implementation of LIFE in EASME"⁶⁸. The action steps for 3 very important recommendations are ongoing and are due by 31st March 2017⁶⁹.

ECA

Administrative budget

With regard to the Agency's administrative budget, for which it receives a subsidy from

⁶⁵ Final audit report issued on 13 January 2017, ARES (2017)202944

⁶⁶ The Agency submitted its action plan on 26.01.2017.

⁶⁷ Final audit report issued on 21 October 2015. The IAS carries out a follow-up audit as soon as an audit recommendation (not all recommendations) are considered implemented and flagged as "ready for review" by the auditee. Consequently a recommendation can be closed, while others are still ongoing, depending on the due date.

⁶⁸ Final audit report issued on 27 January 2016.

⁶⁹ The deadlines for these 3 very important recommendations were initially due by 31 December 2016 and have been extended with 3 months, thus not exceeding the limit of 6 months.

the EU budget, the Court examines the Agency's accounts and financial transactions in accordance with Article 248 of the Treaty on an annual basis.

The ECA audit on the 2015 annual accounts took place in April 2016. The Court expressed the opinion that the Agency's 2015 annual accounts presented fairly its financial position. The transactions underlying the annual accounts were legal and regular in all material aspects. Two comments were raised related to reducing the carry-over of committed appropriations to 2016 and better respecting the budgetary principle of annuality. These points do not call the Court's positive opinion into question and have been properly addressed in the Agency's replies and actions.

Operational budget

The Court sampled 2 transactions for the DAS 2015 operational budget:

- A grant agreement of the IEE programme, resulting in a finding on a delayed transfer of funds from the coordinator to the partners. Following the Commission's reply that the Agency applies a cost-effective approach and follows up on payment delays when receiving complaints from co-beneficiaries, the Court closed the audit of the sampled transaction;
- A grant agreement of the Eco Innovation programme, resulting in a finding on a delayed partial de-commitment and an incorrect processing of a late interest payment. The Agency addressed the Court's findings by improving its follow-up mechanism on de-commitment of funds and by creating a dedicated commitment to cover interest charges. The Court informed the Agency that the audit is closed.

Implementation of audit recommendations

All audit recommendations have been accepted by management and are (being) implemented as foreseen without significant delays⁷⁰. None of the very important recommendations are overdue for more than six months.

As regards the IAC audits, the Agency implemented all outstanding audit recommendations from the IAC audit on Payroll and Establishment of Rights⁷¹ and the audit has been closed.

Conclusions:

The Agency does not have any critical new or outstanding audit recommendations, nor a combined effect of a number of very important recommendations, which could have a material impact on the achievement of the internal control objectives and the assurance.

Audit recommendations due in 2016 have been implemented in a reasonable time frame without significant delays. The action plans for ongoing audit recommendations - due in 2017 - are closely monitored and are on track.

The IAS concluded⁷² that "The internal control systems audited are overall working satisfactorily although a number of very important findings remain to be addressed, in line with the agreed action plans".

⁷⁰ See footnote number 68 above

⁷¹ Final audit report issued on 30 March 2015

⁷² Ares(2017)755128 from 10/02/201

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.

The Agency 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.

In accordance with the ICS 15 - Assessment of the Internal Control Standards, the Agency carries out an annual assessment on the effectiveness of its internal control system. The overall assessment is build up from several measures and sources. These are i) the assessment of the internal control compliance and effectiveness, ii) AoSD management declarations, iii) relevant audit findings, the results and follow up of the risk assessments, v) monitoring of the results of the anti-fraud action plan and vi) exceptions and non-compliance events.

The iCAT⁷³ exercise was expanded for the first time from management to senior operational and financial staff with an aim of having more diverse feedback to the perceived effectiveness of the priority internal control standards⁷⁴. iCAT is traditionally used as one of the building blocks in the overall assurance building process. The other change in the assessment process was that the management team was given a choice to assess the perceived effectiveness either by participating in the dedicated working groups or by filling in the traditional online survey. The majority of staff chose the option of participating in a workshop. The assessments are based on personal opinion and perception given anonymously. The modifications in the process entails that the results are not fully comparable to last year's results due to a different mix of population. The Agency reached an unprecedented overall completion rate of 87,8%⁷⁵ with the workshops and the online survey.

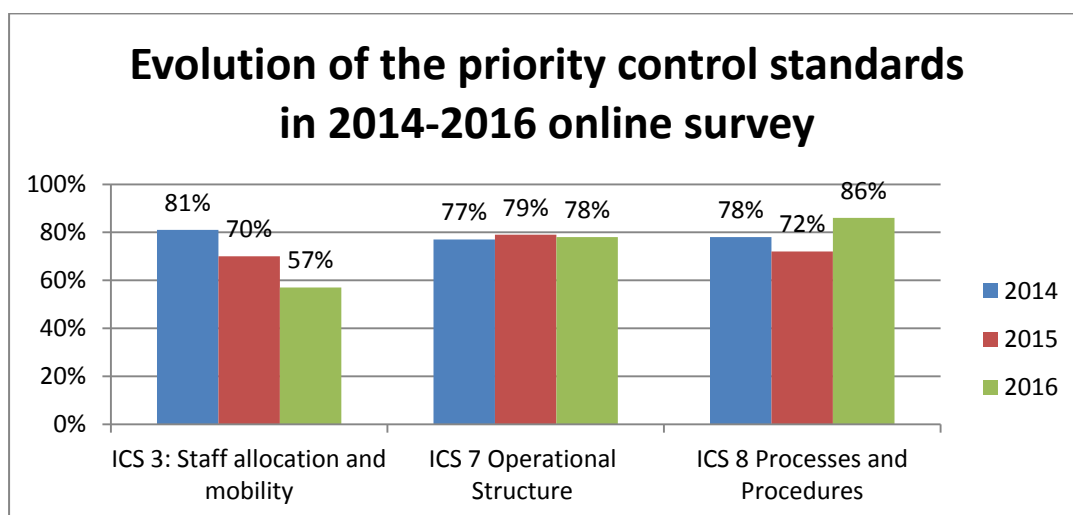
The Agency started the overall assessment from IC compliance aspects and thus had discussions with the key business process owners. On the basis of the discussions and the analysis performed it is concluded that the Agency is compliant with the compulsory requirements, although there are some areas suggested for further improvement (e.g. update of the list of sensitive functions, adoption of a procedure for whistleblowing).

The iCAT assessment was used to give an indication on how effectively the ICS are seen to be working in practice by the control group. In 2016, the online survey achieved 84% completion rate (2015: 62%). As depicted in the chart below, the evolution of the priority standards have remained at the same level with the exception of ICS 3 relating to Staff allocation and mobility. Since the iCAT exercise measures the perception of staff on Internal Control related issues, results need to be analysed with care. The effectiveness rate of the priority standards that were assessed by the online survey reached 75,6 % (2015: 79%, 2014: 74%) which is slightly lower than in 2015.

⁷³ Internal Control Self-Assessment

⁷⁴ ICS3 Staff allocation and mobility, ICS 7 Operational structure and ICS 8 Processes and Procedures

⁷⁵ Source: Statistics per question (iCAT online)



Graph 14: 2014-2016 priority ICS in the Agency⁷⁶

The results show that for ICS 3 on "Staff allocation and mobility" the effectiveness perceived by the new focus group has dropped⁷⁷ compared with the previous years. The issues related to this standard have been topical and subject to a lot of visibility due to the fact that it is also seen to be linked to the changes in the organisational structure (ICS 7). The main drawbacks mentioned relate to communication to staff on the results of the workload assessment pilot exercise. In particular staff commented on their level of workload and pointed out a potential sub-optimal allocation of resources⁷⁸. Workload issues were discussed at the level of Heads of Unit and Heads of Departments. In this perspective, a workload exercise has been started in 2015, and will be further fine-tuned in 2017 with involvement of the relevant staff.

As regards ICS 7 on "Operational Structure", the question on organisational structure (also linked with the issues identified for ICS3) was seen less favourably compared to 2015 results (79%)⁷⁹ because some of the units remain too large.

As from January 2017, the Agency will have an updated organisation chart. The creation of Deputy HoU posts for large Units will remedy the situation.

ICS 8 on "Processes and Procedures" received a very high score and this is an indication that management regularly reviews, discusses, and monitors the main processes and procedures associated with the work, although there is still room for improvement in documenting procedures in a more user friendly manner. The Agency aims to seek out alternative options how the awareness of the lessons' learnt could be disseminated more widely with a view of reducing further small formal issues and for further improving the efficiency and effectiveness of the Agency.

The effective application of processes and procedures at EASME was also confirmed by the European Ombudsman (EO). The EO has closed two cases against EASME regarding the SME instrument and Human Resources procedures. Furthermore, EASME has been amongst the "star cases" of the "Putting-it-right" report for 2015⁸⁰. The Agency received 100% rate of overall compliance with the EO's proposals.

EASME has assessed the internal control systems during the reporting year and has concluded that the internal control standards are implemented and functioning as intended with the exception of standards 3 where further improvements are needed.

⁷⁶ In 2016 the iCAT exercise was extended from management profiles to senior PAs/POs and FOs.

⁷⁷ 57% is weighted average

⁷⁸ Staff engagement survey, implemented by the EC services, work-life balanced was scored at 61%

⁷⁹ Source: Statistics per question (iCAT online)

⁸⁰ <http://www.ombudsman.europa.eu/en/cases/followup.faces/en/74247/html.bookmark>

However, these improvements do not have a significant impact on the overall assurance.

Risk assessment

During the year the Agency monitored regularly its Risk Register. In May the Agency conducted the mid-year review of the risks. In terms of implementation of mitigating actions, progress has been made in all identified risks and thus some risks were downgraded. In November the Agency conducted its annual risk assessment exercise as a basis for the preparation of the AWP of the following year. The major risks identified by the exercise are included in the EASME Risk Register. The identified high risks, such as high error rate, deficiencies in the allocation of human resources and the lack of office space, were communicated to the Steering Committee. For all the identified risks an action plan with deadlines was created and its implementation is ongoing and will be monitored accordingly.

In addition, EASME continued to work closely with the Research Executive Agency (REA) under the overall coordination by RTD, to analyse the results of an "ex-post verification exercise" of the self-declarations of the SME status in the H2020 SME Instrument programme. The aim of a full validation of the SMEs carried out by REA is to ensure the eligibility of the applicants.

In June 2016 REA launched a new ex-post verification exercise. By the end of 2016⁸¹, the SME status of 95 entities (out of 100 selected entities⁸²) was confirmed and consequently updated in the Participant Data Management tool. The additional documents were requested for the remaining entities and will be verified. In addition, to make it easier for applicants to complete the self-assessment in the Participant Portal, a revision of the full set of questions was performed and transmitted to DIGIT for implementation in the Participant Portal in an upcoming release.

Relevant audits

The Agency does not have any critical new or outstanding audit recommendations, nor a combined effect of a number of very important recommendations, which could have a material impact on the assurance. None of the very important recommendations are overdue for more than six months.

The IAS has performed one new audit in 2016 on the COSME programme with only 1 very important recommendation.

The Agency has received exception requests and non-compliance notifications, which are registered and kept in the registry of exceptions and non-compliance. The Internal control team has provided management a summary including a root cause analysis of the cases for the purpose of reducing the occasions of formal compliance issues and in order to further improving the efficiency and the effectiveness of the operations. The Agency will continue to raise awareness and share some examples of most frequent issues.

Other IC outputs:

In 2016, the Agency elaborated a control strategy for the newly delegated programmes (LIFE, H2020, EMFF and COSME). The specific controls for each programme are being fine-tuned.

The Agency takes an active role in the harmonisation of the H2020 ex-ante controls of the Research family.

⁸¹ Ares(2017)310910

⁸² In the course of verification exercise, REA has observed that one entity included in the sample is not a beneficiary of the SME calls 2015. As this entity does not take part in any proposal, REA decided to remove it from the exercise. Therefore the number of entities included in the sample is 99.

As outlined in sections 2.1.1 Control results and 2.2 on Economy and efficiency initiatives, the Agency has foreseen in leaner and less burdensome risk-based controls by reducing the number of actors for certain approval flows, delegating low risk transactions to lower hierarchical levels and handling approval flows in a different, more efficient way. Furthermore the EASME control strategy foresees risk-based controls, by differentiating the type of controls in function of the risk represented by the transactions (less controls for low risk transactions).

As a conclusion, the Agency has assessed the internal control systems during the reporting year and has concluded that the Agency is fully compliant with the IC framework of the Commission. In terms of perceived effectiveness there is some room for improvement. However, these issues do not have any significant impact on the assurance. The remedial measures, e.g formulation of an action plan for "*Working smarter initiatives for 2017*", are envisaged.

2.1.4 Conclusions as regards assurance

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

The information reported stems from the results of management assessment and relevant audits. These result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a complete coverage of the budget delegated to EASME.

The audit results, the internal control assessment and the control indicators do not reveal any significant weaknesses and do not fulfil any of the materiality criteria laid down in Annex 4 to the AAR with the exception of the ex-post controls of CIP IEE II and CIP ECO - Innovation programmes. For these programmes, given the results of the audits that took place in the course of 2016, the cumulative residual error rate at the year-end is estimated at 3.8% and 6.0% respectively, above the materiality threshold of 2% foreseen for the multi-annual period. Therefore, in the context of the 2016 AAR, two reservations are introduced concerning the CIP IEE II and CIP ECO - Innovation programmes (Budget line: 32.04 53 00 and 02.04 53 00 respectively).

Remedial actions were already taken by the Agency in 2015, continued in 2016, and will continue during the course of 2017. The Agency has intensified further its ex-ante controls on the CIP IEE II and CIP ECO - Innovation programmes, in an effort to detect and correct errors earlier in the lifecycle of the projects.

More specifically, the Agency has already implemented:

- A workshop, with the operational and financial teams of EASME, to share lessons learned from the execution of the ex-post controls, prevent and detect errors earlier enhancing further its ex-ante controls;
- A communication to all CIP IEE II and CIP ECO - Innovation beneficiaries. It highlighted the most common sources of errors and provided useful tips in order to avoid them.
- A number of ad hoc missions by financial officers, for CIP ECO - Innovation programme, took place on the premises of a list of beneficiaries identified as 'critical' with the aim of clarifying potential questions and anticipating good practices for internal control and accurate reporting.

Moreover, the Agency will continue to address the issue during the course of 2017 aiming at a final multi-annual error rate below 2% for the CIP IEE II and CIP ECO - Innovation programmes. Specifically the following actions will take place:

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

At the end of 2016 the EASME had no outstanding very important/ critical recommendations overdue for more than 6 months. The vast majority of the audit findings issued before 2016 have been addressed within a reasonable time frame.

The lessons learned from the indicators of ex-ante and ex-post controls together with the strengths and weaknesses highlighted in the audits conducted in 2016, lead to the conclusion that the Agency has reasonable assurance⁸³ that its internal control system is adequately designed and that it works as intended.

Overall Conclusion

In conclusion, management has reasonable assurance that, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Acting Director, in his capacity as Authorising Officer by delegation has signed the Declaration of Assurance, albeit qualified by two reservations concerning the CIP IEE II and CIP ECO – Innovation programmes.

2.1.5 Declaration of Assurance and reservations

⁸³ Even an effective internal control system, no matter how well designed and operated, has inherent limitations – including the possibility of the circumvention or overriding of controls – and therefore can provide only *reasonable assurance* to management regarding the achievement of the business objectives and not *absolute assurance*.

DECLARATION OF ASSURANCE

I, the undersigned,

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

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

Declare that the information contained in this report gives a true and fair view⁸⁴.

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

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

Confirm that I am not aware of anything not reported here which could harm the interests of the Executive Agency for Small and Medium-sized Enterprises or those of the Commission here. However, the following reservations should be noted:

- *For the ABB activity 32.04: Legacy programme of the Competitiveness and Innovation Framework Programme - Intelligent Energy Europe II.*
- *For the ABB activity 02.04: Legacy programme of the Competitiveness and Innovation Framework Programme – ECO Innovation.*

Brussels, on 31 March 2017

e-signed

Marco Malacarne

⁸⁴ True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG/Executive Agency.

Reservation 1

DG	EASME
Title of the reservation, including its scope	Reservation concerning the rate of residual error within cost claims in the CIP Intelligent Energy Europe II (IEE II) 2007-2013
Domain ABB activity and amount affected ("scope")	CIP IEE II programme (2007-2013): Direct management grants paid by EASME. Budget line: 32.04 53 00: EUR 40.4 million of payments performed in 2016
Reason for the reservation	At the end of 2016, the multi-annual residual error rate is above the materiality threshold foreseen for the multi-annual period.
Materiality criterion/criteria	The materiality criterion is the residual error rate, i.e. the level of errors that remain undetected and uncorrected by the end of the management cycle. The control objective is to ensure that the residual error rate on the overall population is below 2% at the end of the management cycle. As long as the residual error rate is not (yet) below 2% at the end of the reporting year within the CIP IEE's II management lifecycle, a reservation would be made.
Quantification of the impact (= actual exposure")	The maximum impact is calculated by multiplying the residual error rate by the amount of CIP IEE payments ⁸⁵ based on cost statements authorised in 2016 by EASME i.e. EUR 88.8 M. The latter amount includes the full grant value of the grants for which the balance payment was made in 2016 e.g. interim-final payments performed in 2016 and their related pre-financing payments cleared this year. It is estimated that the residual error rate is at 3.8%. Thus, the estimated impact in 2016 is EUR 3,373,768.94.
Impact on the assurance	Legality and regularity of the affected payments made against cost claims. Corrective actions have already been established and performed by EASME. The residual error rate of the CIP IEE II programme 2007-2013 is above the materiality threshold of 2% for the legality and regularity of the financial transactions, and leads to this reservation. However, its effect on the overall declaration of assurance is limited, considering that the amount at risk corresponds to 0.3% of the total budget execution in terms of payments in 2016 within the Agency ($3,373,768.94 / 1,049,695,329.58 = 0.3\%$)

⁸⁵ payments made in 2016, minus new pre-financing paid out, plus previous pre-financing cleared, , including recovery orders.

<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 beneficiaries; - The fact that due to the high number of beneficiaries, ex-ante checks are performed on a sampling basis for each cost statement <p>EASME improved its ex-ante financial guidelines and communicated it towards beneficiaries. The above can mitigate these risks to a certain extent.</p>
<p>Responsibility for the corrective action</p>	<p>In 2016, the Agency has intensified further its ex-ante controls on the CIP IEE II programme, in an effort to detect and correct errors earlier in the lifecycle of the projects. Specifically, the Agency has already implemented the following remedial actions: (a) a workshop, with the operational and financial teams of EASME, to share lessons learned from the execution of the ex-post controls, prevent and detect errors earlier enhancing further its ex-ante controls; (b) a communication to all CIP IEE II beneficiaries concerning the most common sources of errors has been taken place and useful tips in order to avoid them have been provided.</p> <p>Moreover, the Agency will continue to address the issue during the course of 2017 aiming at a final multi-annual error rate below 2% for the CIP IEE II programme. Specifically the following actions will take place: (a) increase the ex-post audit coverage of the CIP IEE II programme aiming at a reduced residual error rate at the end of the multi-annual ex-post audit strategy; (b) intensify the awareness raising campaign towards the beneficiaries of the CIP IEE II programme; (c) further analyse the recent CIP IEE II ex-post audit results to investigate if the EASME ex-ante controls needs to be further revised.</p> <p>However, the results in terms of (lower) error rates are not expected before AAR 2018 as the measures described above will take time to have an impact. The reason being that there will be a minimum 1-year gap between closing projects and audit results becoming available.</p>

Action Plan to address the reservation for IEE II

A) Training

During 2016, and once the preliminary results of the ex-post control strategy became available, a workshop with the operational and financial teams of EASME, to share lessons learned from the execution of the ex-post controls, prevent and detect errors earlier enhancing further its ex-ante controls took place. During the workshop Financial Officers and Project Advisers were trained on the most common errors identified during the ex-post controls. Additionally, the procedure of ex-ante controls was reviewed and a brainstorming session on how to improve ex-ante controls took place.

B) Communication / Guidance to Beneficiaries

During 2016 a communication campaign targeting beneficiaries took place. During this communication the most common errors identified at ex-post control level were disseminated to all project coordinators. In addition, during the meetings between project advisers and beneficiaries, specific points on financial management and control are raised.

C) Continued audit and control

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

However, the results in terms of (lower) error rates are not expected before AAR 2018 as the measures described above will take time to have an impact. The reason for this is that there will be a minimum 1-year gap between closing projects and audit results becoming available.

Reservation 2

DG	EASME
Title of the reservation, including its scope	Reservation concerning the rate of residual error within cost claims in the Eco-Innovation CIP programme 2007-2013
Domain ABB activity and amount affected (= "scope")	CIP Eco-Innovation programme (2007-2013): Direct management grants paid by EASME. Budget line: 02.04 53 00: EUR 14,5 million of payments performed in 2016
Reason for the reservation	At the end of 2016, the multi-annual residual error rate is not below the materiality threshold foreseen for the multi-annual period.
Materiality criterion/criteria	The materiality criterion is the residual error rate, i.e. the level of errors that remain undetected and uncorrected by the end of the management cycle. The control objective is to ensure that the residual error rate on the overall population is below 2% at the end of the management cycle. As long as the residual error rate is not (yet) below 2% at the end of the reporting year within the Eco-Innovation's management lifecycle, a reservation would be made.
Quantification	The maximum impact is calculated by multiplying the residual error rate by the amount of CIP Eco-Innovation payments ⁸⁶

⁸⁶ payments made in 2016, minus new pre-financing paid out, plus previous pre-financing cleared, including recovery orders

of the impact (= actual exposure")	<p>based on cost statements authorised in 2016 by EASME i.e. EUR 27 M. The latter amount includes the full grant value of the grants for which the balance payment was made in 2016 e.g. interim-final payments performed in 2016 and their related pre-financing payments cleared this year. It is estimated that the residual error rate is at 6.0%. Thus the estimated impact in 2016 is EUR 1,625,864.48.</p>
Impact on the assurance	<p>Legality and regularity of the affected payments made against cost claims. Corrective actions have already been established and performed by EASME.</p> <p>The residual error rate of CIP the Eco-Innovation programme 2007-2013 is above the materiality threshold of 2% for the legality and regularity of the financial transactions, and leads to this reservation. However, its effect on the overall declaration of assurance is limited, considering that the amount at risk corresponds to 0.15% of the total budget execution in terms of payments in 2016 within the Agency (1,625,864.48/1,049,695,329.58 =0.15%)</p>
Responsibility for the weakness	<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 beneficiaries; - The fact that due to the high number of beneficiaries, ex-ante checks are performed on a sampling basis for each cost statement <p>EASME improved its ex-ante financial guidelines and communicated it towards beneficiaries. The above can mitigate these risks to a certain extent.</p>
Responsibility for the corrective action	<p>In 2016, the Agency has intensified further its ex-ante controls on the CIP Eco-Innovation programme, in an effort to detect and correct errors earlier in the lifecycle of the projects. Specifically, the Agency has already implemented the following remedial actions: (a) a workshop, with the operational and financial teams of EASME, to share lessons learned from the execution of the ex-post controls, prevent and detect errors earlier enhancing further its ex-ante controls; (b) a communication to all ECO Innovation beneficiaries concerning the most common sources of errors has been taken place and useful tips in order to avoid them have been provided.</p> <p>Moreover, the Agency will continue to address the issue during the course of 2017 aiming at a final multi-annual error rate below 2% for the Eco-Innovation programme. Specifically the following actions will take place: (a) increase the ex-post audit coverage of the Eco-Innovation programme aiming at a reduced residual error rate at the end of the multi-annual ex-post audit strategy; (b) intensify the awareness raising campaign towards</p>

the beneficiaries of the Eco-Innovation programme; (c) further analyse the recent Eco-Innovation ex-post audit results to investigate if the EASME ex-ante controls needs to be further revised.

However, the results in terms of (lower) error rates are not expected before AAR 2018 as the measures described above will take time to have an impact. The reason being that there will be a minimum 1-year gap between closing projects and audit results becoming available.

Action Plan to address the reservation for Eco-Innovation

A) Training

During 2016, and once the preliminary results of the ex-post control strategy became available, a workshop with the operational and financial teams of EASME, to share lessons learned from the execution of the ex-post controls, prevent and detect errors earlier enhancing further its ex-ante controls took place. During the workshop Financial Officers and Project Advisers were trained on the most common errors identified during the ex-post controls. Additionally, the procedure of ex-ante controls was reviewed and a brainstorming session on how to improve ex-ante controls took place.

B) Communication / Guidance to Beneficiaries

During 2016 a communication campaign targeting beneficiaries took place. During this communication the most common errors identified at ex-post control level were disseminated to all project coordinators. In addition, during the meetings between project advisers and beneficiaries, specific points on financial management and control are raised.

C) Continued audit and control

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

However, the results in terms of (lower) error rates are not expected before AAR 2018 as the measures described above will take time to have an impact. The reason is that there will be a minimum 1-year gap between closing projects and audit results becoming available.

D) Improvements of the working methodology

The methodology for processing second pre-financing and final payments for CIP ECO-Innovation was updated, including revised financial guidelines and updated template for financial statement (with modified hourly rate calculation table).

2.2 Other organisational management dimensions

The Agency is continuously trying to improve its functioning with a view of investing its resources in the most economical and efficient manner. A dedicated taskforce with representatives from different sectors and units worked in 2016 on two initiatives included in the Agency's AWP to improve the efficiency and economy of its operations, namely to (i) rationalise approval flows and (ii) reduce paper-based workflows.

To this purpose, about 180 approval flows covering the main business processes have been reviewed. Following the results of the taskforce, a set of concrete actions has been issued to improve around 70% of these approval flows in the period 2016 – 2017. Actions implemented in 2016 included amongst others⁸⁷: reduction of the number of actors for certain approval flows⁸⁸, delegating low risk transactions to lower hierarchical levels⁸⁹, going paperless for a number of workflows and handling approval flows in a different, more efficient way⁹⁰.

2.2.1 Human resource management

Staffing Overview

At the start of the year the HR sector finalised its allocation of posts for 2016 to departments and units and put in place an efficient forward planning and a close monitoring of selection procedures in order to cover its staffing needs for 2017.

Consequently, EASME continued to grow in 2016 and counted 417 staff by the end of the year. This amounts to 95% of 437 staff foreseen by the establishment plan for 2016 and represents a growth of 12% reached within 12 months compared to 373 by the end of 2015. This means that the Agency succeeded in reaching and slightly exceeding its recruitment target as foreseen in the Agency's Work Programme (415 posts).

Out of 417 staff, 26 were seconded officials, 68 temporary agents and 323 contract agents.

The table and graph below provide an overview of the staffing evolution in 2016.

	Staff on 31/12/2015	Staff on 31/12/2016	Foreseen by 31/12/2016	% establishment plan 2016
Seconded Officials	28	26	33	79%
Temporary Agents	59	68	75	91%
Contract	286	323	329	98%

⁸⁷ Not exhaustive

⁸⁸ For example: from 7 to 4 actors to approve ABAC access rights

⁸⁹ For example: authorisation of medium risk transactions delegated from Director to Head of Department or Head of Unit level; authorisation of low risk transactions delegated from Head of Unit to Head of Sector

⁹⁰ For example: by clarifying to the units when the legal sector needs to be involved in an approval flow and when not

Agents				
Total	373	417	437	95%

Table 10: an overview of the staff by contract type

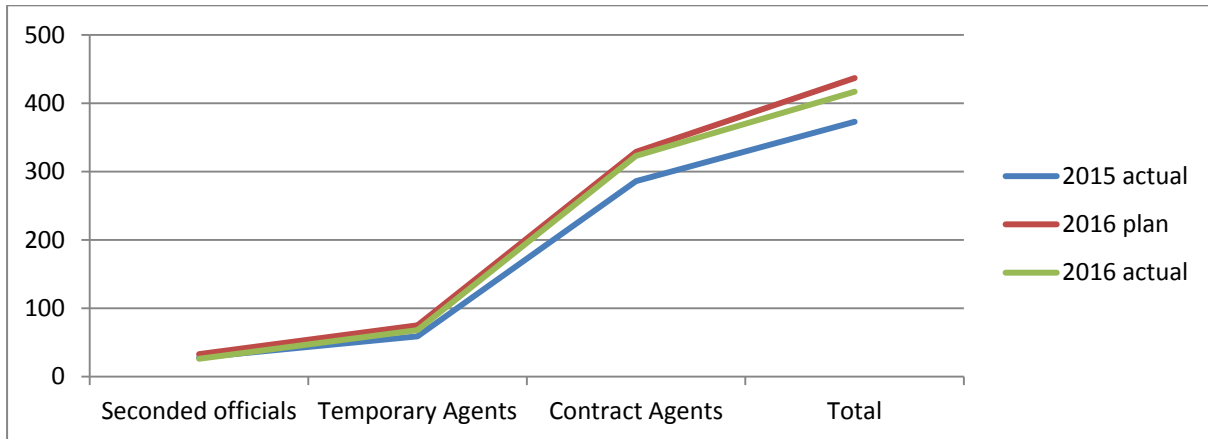


Figure 2: an overview of the staff increase per contract type

For more detailed information about staff, please see annex 2.

The distribution of HR per programme, activity and DG, as presented in annex 2, is in line with the 2016 work programme and the financial statement. However, it should be noted that the total staffing figures are higher for LIFE (+ 6 FTE) and lower for Eco-innovation (-4 FTE) than planned in the 2016 Work Programme. This is due to the underestimation of human resources to manage the LIFE programme in the 2013 Cost Benefit Analysis and a further reduction of these resources in the *Communication Chapeau*. Therefore, the Agency is confronted with insufficient staffing levels for the management of the LIFE programme. To address this staff shortage, DG ENV, DG CLIMA and EASME requested 12 additional FTE for the Agency in the framework of the 2016 budgetary procedure. However, only 6 FTE were frontloaded. Therefore, the Agency had to look for additional internal measures to remedy the understaffing for LIFE. First, resources foreseen for the phasing out of the CIP Eco-innovation legacy were mobilised to the maximum extent to help cope with the increasing workload for the LIFE programme. Secondly, to free resources for operational tasks, the Agency's taxation for horizontal tasks was reduced for LIFE (audit, legal support, IT, communication, HR).

The structural understaffing for LIFE continues to be a challenge for the Agency and will intensify in the coming years. This follows from the imbalance between the significant increase in the number of projects and the very limited increase in resources for LIFE. At the same time, a significant reduction of resources is foreseen for the CIP Eco-innovation programme. This issue was brought to the attention of the Steering Committee in December. The Committee agreed on the principle that the Agency should be allowed to redeploy the staff on a temporary and limited basis there, where they are most needed in function of priorities and workload.

Recruitment

In total in 2016 the Agency recruited 71 new colleagues of whom 66 were contract agents and 5 temporary agents. In addition, for what concerns career progression, 26 colleagues who were already working in EASME were offered a new contract as TA or CA in a higher function group. As regards internal mobility 9 staff members moved to a different unit while 12 have changed sector, which represents an overall internal mobility rate of 5,32%.

The annual staff turnover rate decreased to 6,84% compared with 7,62% in 2015 and is therefore considered as not excessive. Most of the 27 colleagues who left the Agency remained within the EU environment and the main departure reason was career advancement within the Institutions.

In 2016, the HR sector organised 43 selection procedures for all types of posts and level of responsibilities and diversified profiles (Senior Project Advisers in Energy and Data Analysis, Statistics and Reporting, Project Advisers, Project Officers, Financial Advisers, Financial Officers, Ex-post Control Advisers, HR Advisers, HR Officers, Communication Advisers and Administrative Assistants).

Out of these, 17 selection procedures were launched externally (15 for contract agents and 2 for temporary agents). More than 2,100 CVs were screened and about 550 interviews were conducted. The newly established reserve lists on various profiles will also respond to a large extent to the Agency's recruitment needs for 2017.

Regularly updated planning⁹¹ of selection procedures has been put in place (on both the intranet and external website) with the aim to give an insight into the Agency's longer term recruitment needs, being at the same time a valuable information for EASME staff interested in further career opportunities within the Agency.

The table below provides an overview of the filling rates per department by 31.12.2016.

	Staff on 31/12/2015	Staff on 31/12/2016	Foreseen by 31/12/2016	% of positions filled
Department A	136	148	154	96%
Department B	91	111	117	95%
Department C	142	158	162	98%
Director's Office	4	0	4	0% ⁹²
Total	373	417	437	95%

Table 11: an overview of the staff per department

Following the Director's retirement on 01/08/2016 the post remained unfilled and a new recruitment procedure is to be expected. At the same time, the new team "Planning, Reporting and Organisational Development" was created. The mission of the team is to support the Agency's management in the strategic planning and reporting process, as well as to initiate, facilitate and coordinate initiatives that contribute to the sound, efficient and coherent functioning of the Agency. Furthermore, the procedure of Head of Sector post Finance H2020 SME was finalised by the end of the year in cooperation with the respective parent DG (CNECT) and the post is foreseen to be filled early 2017. Ultimately, 5 seconded official posts were not filled in 2016 due to the delayed approval of the Agency's new organisational chart in the end of 2016, taking effect on 1 January

⁹¹ https://ec.europa.eu/easme/sites/easme-site/files/selection_procedures_planning_final.pdf

⁹² The staffing level of the Director's office is 0% following his retirement on 01/08/2016 and will remain so until the appointment of a new Director.

2017. These posts are expected to be published and filled in 2017 in cooperation with the concerned parent DGs.

Finally, by 31.12.2016 the overall gender balance stood at 61% female and 39% male. The percentage of female representation in middle management⁹³ was 45%. For what concerns non-middle management posts (at AD or FGIV level) the gender distribution comes to 56% female and 44% male.

For more information see Annex 2.

Reorganisation

In respect of the Agency's new organisational chart, the HR sector played an important role in the revision of the organisational structure and prepared the administrative changes in order to ensure a smooth transition towards the new structure as of 1 January 2017 for the concerned units (i.e. A.1 COSME, A.2 H2020 SME, B.3 LIFE and CIP Eco-Innovation and C.1 Finance).

Learning and Development

- The newcomer's on-boarding programme (including the buddy programme) was very successful in 2016 with an overall satisfaction rate of 94%;
- The Agency has created a group of EASME colleagues from different units across the Agency to facilitate, co-facilitate or simply contribute to the preparations of EASME workshops, team development actions and training sessions.
- Working groups focussing on communication, social interaction and keeping the EASME values alive have continued to develop several successful actions in 2016.

The Agency has organised stress-reduction based Mindfulness training giving techniques to increase concentration and focus and diminish stress to improve the general satisfaction with life and work. This training has received a lot of praise and will again be on offer in 2017.

2.2.2 Better regulation

N.a (only for DGs managing regulatory acquis)

2.2.3 Information management aspects

As for the detailed reporting on this component, please refer to Annex 2.

2.2.4 External communication activities

2016 was an active year where the Agency was engaged in a wide range of activities to reach out to its stakeholders and key target audiences through targeted communication. At the core of it all was raising awareness of our funding opportunities to potential applicants and promoting funded projects and their successes – which all support parent DGs in their policy objectives. The work plan was fully implemented while tasks were added in the course of the year.

The 11th [EU Sustainable Energy Week](#) (EUSEW) was one of the highlights of 2016.

⁹³ Heads of Department, Heads of Unit, Heads of Sector

Organised under Horizon 2020 with DG ENER as the leading policy DG, the EUSEW received high praise by participants and showed a strong outreach to audiences beyond those attending the policy conference. A high level jury chaired by MEP Jerzy Buzek awarded outstanding sustainable energy projects. Vice-President Šefčovič and Commissioner Arias-Cañete outlined the Energy Union package and upcoming political priorities.

Another event highlight was the first ever [SME Instrument Innovators' Summit](#) organised in October 2016. This stakeholder event brought together some 440 SME Instrument Phase 2 companies with potential investors and representatives of the European Commission. During the event, several companies showcased their top innovative products and they had an opportunity to test their pitching skills in front of investors. The event also featured practical workshops and the possibility to arrange bilateral networking meetings.

Considering the limited space we had to welcome all SME instrument beneficiaries, the Agency deliberately made a lot of efforts to be very present on social Medias with success.



	SET	DELIVERED
Impressions	300 000	12 000 000 (final result)
Periscope views	100 per video	400 per video (final result)
Blog post reads	2500 page views for all posts	640 (ongoing)
Photo Views	300 combined for all albums	495 views, 1 album (ongoing)

[Coordinator's days](#) are organized two or three times a year in Brussels, in order to welcome, inform, celebrate and meet face to face with the new Phase 2 beneficiaries. In total there are between 50 and 60 companies from the most recent cut-offs attending at each "Coordinator's day".

Along the time, the SME Instrument management realised that it is also an excellent opportunity for these leading European SMEs to get to know each other, to network and to potentially launch business projects together. Classical welcome days iteratively became more and more intensive, dynamic and participative.

During these two days, beneficiaries are also able to meet all the SME Instrument' team from evaluation, to project management, communication support, coaching and Phase 3 activities.

All events organised by EASME are used to create synergies across programmes. During the EUSEW, for example, SME Instrument companies in the field of Energy Efficiency pitched their projects and products. And during the "Adaptions Future" conference organised by DG RTD under Horizon 2020, EASME promoted LIFE programmes that showed a content fit to highlight successes across EU funding programmes. In addition, two info-days for H2020 programmes were organised as well as other networking and stakeholder activities.

Social media was another main channel to inform and connect with stakeholders.

Numbers of followers on all channels have increased. The European Commission's decision to use successful projects from programmes managed by the Agency (H2020, LIFE, etc) on their central Facebook account has had a major impact on the outreach, with an average of almost 60,000 people reached per post. The most [successful projects](#) reached more than 190,000 people.

As part of the Agency's digital media approach, the Agency developed an automated [data hub](#) initially for the SME Instrument. In the meantime, the data hub is also available for the Horizon 2020 programmes managed in the Agency.

In line with the Commission's approach that good internal and external communication depend on each other, EASME undertook a series of measures to ensure good multi-way communication within the Agency. A series of internal workshops to help colleagues in their specific communication needs, was successfully implemented and won a [third prize of the Commission's Internal Communication Award](#) in 2016, awarded by former Vice-President Georgieva.

Annual communication spending (based on estimated commitments):			
Baseline (Year n-1):	Target (Year n):	Total amount spent	Total of FTEs working on communication
n/a	n/a	Appr. € 1,575,000	Appr. 9.5 FTE

For the main outputs of the year, please see Annex 2.