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2018

Annual Activity Report

Directorate-General for Mobility and Transport

Foreword

Introductory message by the Director-General

This Annual Activity Report covers the activities of the Commission's Directorate-General for Mobility and Transport (DG MOVE) for 2018. The purpose of this report is to give an outline of the operations of the DG, its activities and resources and to help in understanding the different challenges that are faced.

Part 1 presents the policy dimension, showing key results and progress towards the achievements of general and specific objectives set in the Strategic Plan 2016-2020 and against the outputs set in the 2018 Management Plan.

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

Henrik Hololei

Director-General of DG MOVE

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THE DG IN BRIEF

Under the political guidance of the College of Commissioners, in particular Vice-Presidents Jyrki Katainen and Maroš Šefčovič and Commissioner Violeta Bulc, the Directorate-General for Mobility and Transport (DG MOVE) is in charge of developing transport policies for the European Union[1]. Its remit is to ensure efficient and sustainable mobility within a single European transport area, to serve Europe's citizens and economy.

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

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

DG MOVE is assisted in its work by the expert input from several European Agencies and two Joint Undertakings, which it oversees: the European Aviation Safety Agency (EASA), the European Maritime Safety Agency (EMSA), the European Railway Agency (ERA), Innovation and Networks Executive Agency (INEA), and the SESAR (Single European Sky ATM Research) Joint Undertaking and the Shift2Rail Joint Undertaking. DG MOVE has also built a strong partnership with EUROCONTROL[2] and is represented in the Management Board of the Fuel Cells and Hydrogen Joint Undertaking.

At the end of December 2018, DG MOVE had 412 staff and shared in addition 98 administrative staff with DG Energy. The total payments made by DG MOVE in 2018 represented EUR 384.4 million, while the committed amounts added up to EUR 443.7 million at year-end (see Annex 3 for more details).

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

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

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

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

EXECUTIVE SUMMARY

The Annual Activity Report is a management report of the Director-General of DG MOVE to the College of Commissioners. Annual Activity Reports are the main instrument of management accountability within the Commission and 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 Treaties[3].

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

Transport is a strategic sector of the EU economy. All in all, it accounts for more than 9% of EU Gross Value Added (GVA) (services manufacturing, construction, maintenance) and employs more than 20 million people, more than 9% of total EU workforce. Efficient mobility services and global connectivity are the prerequisites for almost all other economic sectors to function, to enable social exchanges, tourism and the competitiveness of EU businesses. At the same time as ensuring these economic benefits, transport policy must address major challenges, such as decarbonisation, safety and security, fostering innovating and digitalisation, as well as the need for important investments in transport infrastructure to improve connectivity.

Commissioner Bulc tweet on her take on 2018's achievements.

Transport policy directly advances several of the Commission General Objectives reflected in five of the priorities set out in President Juncker's Political Guidelines: a new boost for jobs, growth and investment, a connected digital single market, a resilient energy union with a forward-looking climate change policy, a deeper and fairer internal market and a stronger global actor.

The specific objectives for DG MOVE include:

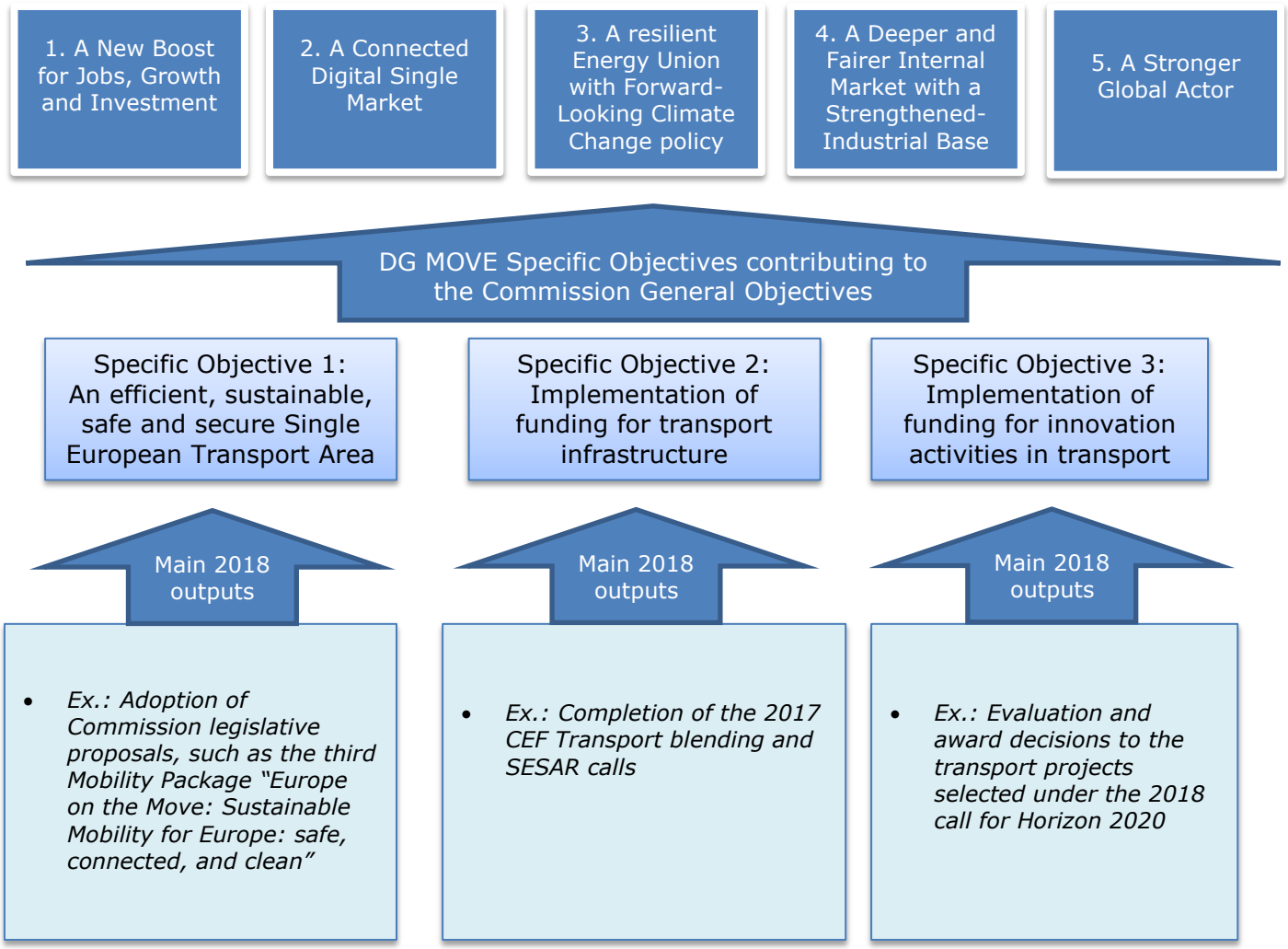
- **Implementing an efficient, sustainable, safe and secure Single European Transport Area** by improving regulation, ensuring a high degree of implementation of EU legislation, and promoting open and fair competition both in the EU and in relation with key partner countries;

- **Promoting a modern European transport infrastructure**, via the effective implementation of the Trans-European Transport Network with the help of the Connecting Europe Facility and the European Fund for Strategic Investments; as well as

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

- **Promoting an innovative transport sector**, through an effective implementation of funding for research and innovation activities in the transport area under the Horizon 2020 programme.

2018 has seen considerable progress in taking EU transport policy forward in support of the Commission's priorities.



DG MOVE was in charge of taking forward a number of priority proposals and other important initiatives, which contributed to the achievement of the Commission priorities set out by President Juncker. Particular focus and resources have been necessary throughout the year to **address important challenges,** such as the preparations for the **withdrawal of the United Kingdom from the European Union** and the adoption by the co-legislators before the European elections in May 2019 of **priority legislative proposals**, notably under the three 'Europe on the Move' Mobility Packages, as well as those linked to the next Multiannual Financial Framework beyond 2020. Key deliverables in 2018 included:

A resilient energy union with a forward-looking climate policy & a connected Digital Single Market:

- The third Mobility Package **"Europe on the Move: Sustainable Mobility for Europe: safe, connected, and clean"** (COM(2018)293 final), adopted in May 2018, includes measures for both the decarbonisation of transport as part of a forward-looking climate policy and for promoting safe and connected transport solutions contributing to the creation of a Digital Single Market. The initiatives include an **integrated policy for the future of road safety** with measures for vehicles and infrastructure safety; the first ever **CO2 standards for heavy-duty**

vehicles and a legislative proposal on **aerodynamic truck cabins**; a strategic **Action Plan for the development and manufacturing of batteries** in Europe and a forward-looking **strategy on connected and automated mobility**. Legislative proposals concerning a **European Maritime Single Window environment**, **electronic freight transport information** and **streamlining measures for TEN-T implementation** were also adopted.

- An overall agreement with the co-legislators was reached in December 2018 on the proposal for a recast of the Directive on a **European Electronic Tolling Service** (EETS) from Mobility Package I.

- The Commission's proposal for a new Directive on **Port Reception Facilities**, adopted on 16 January 2018 as part of the Circular Economy Package. The Directive aims at an increased delivery of waste from ships, in particular addressing the problem of sea based sources of marine litter. An agreement on the future Directive was reached with the co-legislators in December 2018.

A deeper and fairer internal market with a strengthened industrial base:

- The adoption by the TTE Council on 3 December 2018 of general approaches for the **social and road market access proposals** of Mobility Package I, the **Combined Transport Directive**, the **European Maritime Single Window environment**, **Road Infrastructure Safety Management**, and **Training of Seafarers**, as well as a partial general approach on CEF.

- The adoption of the new Regulation of the European Parliament and of the Council on **common rules in the field of civil aviation and establishing a European Union Aviation Safety Agency (EASA)** – the so-called new EASA Basic Regulation, which entered into force on 11 September 2018.

- The agreement reached on 20 November 2018 by the European Parliament and the Council on a new Regulation on **Safeguarding competition in air transport**. The new Regulation – amending Regulation (EC) No 868/2004 – will allow the Union to address practices distorting competition between EU and non-EU airlines i.e. discriminatory practices and subsidies by means of transparent, evidence-based investigations and, where appropriate, redressive measures to restore equal opportunities between airlines.

- A **Fitness check of maritime transport safety and efficiency legislation** was published on 16 May 2018, covering five directives: Flag State responsibilities, Accident investigation, Port State control, Reporting formalities and Vessel traffic monitoring and information system. The Fitness check concluded on the relevance of several improvements to the legislative framework on which additional work will be carried out in 2019.

- As part of the Commission's overall preparations for **Brexit**, DG MOVE has prepared 6 legislative proposals, including 2 proposals for Brexit preparedness concerning the realignment of the North Sea – Mediterranean TEN-T corridor and maritime recognised organisations, as well as 4 contingency legislative proposals addressing air, road and rail basic connectivity and aviation safety in case of a no-deal Brexit.

A new boos for jobs, growth and investment:

- On the **investment** side, progress was made in 2018 to further support innovation, jobs and growth creation, and the transition towards sustainability through projects under the Coneting Europe Facility and Horizon 2020.

- The completion of the 2017 **CEF Transport blending call** with a selection of a total of 74 projects, totalling EUR 1.4 billion in CEF funding, including EUR 400

million to innovation and new technologies projects, notably in the field of alternative fuels, in support of the Commission's Clean Mobility policy.

- The selection of **transport research and innovation projects in transport** in 2018 for a total amount of approximately EUR 245 million under the Horizon 2020 programme, including for the SESAR and Shift2Rail Joint Undertakings.

- In the context of preparation of the next Multiannual Financial Framework (MFF) beyond 2020, important progress was made on the preparation of the successor of the **CEF Programme post-2020**, in particular with the adoption on 6 June 2018 by the Commission of its proposal for a Regulation establishing the Connecting Europe Facility (2021-2027). DG MOVE also contributed to the preparation of the Commission's proposal relating to the design of the next Framework Programme, **Horizon Europe**.

A stronger global actor:

- Progress continued in **international transport relations**, with extensive **dialogues with key partners**, progress in the negotiations of **comprehensive air transport agreements**, adoption in April 2018 at the International Maritime Organisation (IMO) of the **initial greenhouse gas (GHG) emissions reduction strategy** in maritime transport, and the implementation of the international agreement on **emissions from aircraft** with the adoption on 28 June 2018 by the International Civil Aviation Organisation (ICAO) Council of a Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) Standard containing the necessary details to start the scheme.

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

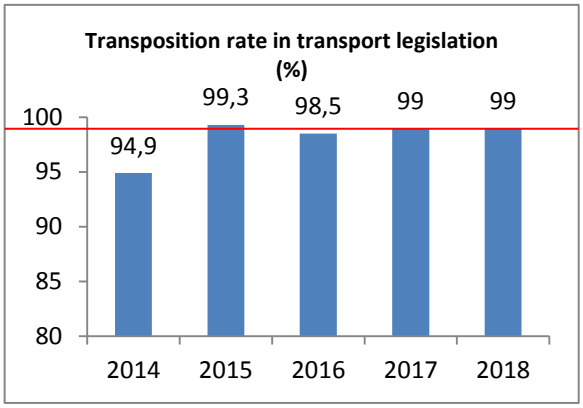
b) Key Performance Indicators (KPIs)

To illustrate the progress made towards achieving DG MOVE's specific objectives, the key performance indicators shown below were selected in the 2016-2020 Strategic Plan[4]. The results indicate that overall good and sustained progress has been made in achieving the specific objectives. The overall progress towards achieving the general objectives are illustrated by higher level Commission impact indicators, presented in annex to the Annual Activity Report.

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

[4] The scope and number of DG MOVE's indicators were considerably reduced in the Strategic Plan 2016-2020 compared to the presentation in the Management Plans of previous years. This choice was made for the sake of simplification and in order to focus on the core activities for which DG MOVE is responsible. The more detailed monitoring and reporting on the policy objectives and indicators for the spending programmes is included each year in the Programme Statements in the Draft Budget.

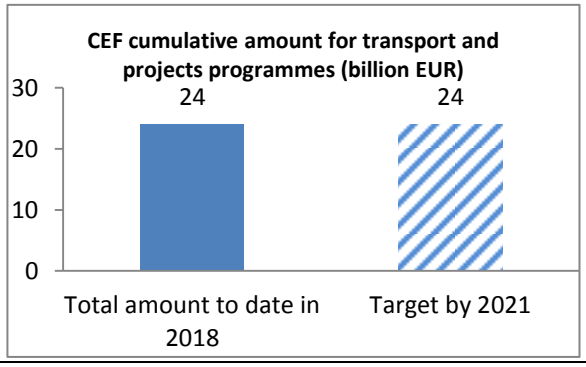
KPI 1		**An efficient, sustainable, safe and secure Single Transport Area**



(Annual target of 99% used by the Commission for the Single Market Scoreboard)

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

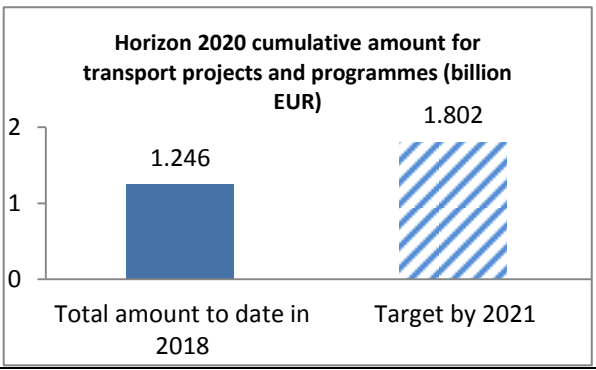
KPI 2		**A modern European transport infrastructure Total amount of CEF grants and contributions for transport projects and programmes**



Under its specific objective 2, DG MOVE ensures the implementation of funding for the Trans-European Network under the Connecting Europe Facility in close cooperation with INEA (for the grants part of the CEF). KPI 2 shows that we are well on track to ensuring the implementation of the Connecting Europe Facility by the end of the programme period, as a 100% commitment of all TEN-T budget under the CEF was reached already in 2018 due to a front-loading approach for the transport sector designed to provide for continuity with the former TEN-T programme.

Note: Target date set to 2021 in line with the Strategic Plan 2016-2020 as the grant agreements for the last calls could be signed in 2021, after evaluation and selection.

KPI 3		**An innovative transport sector Total amount of Horizon 2020 grants, delegations, contributions signed for transport projects and programmes**



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

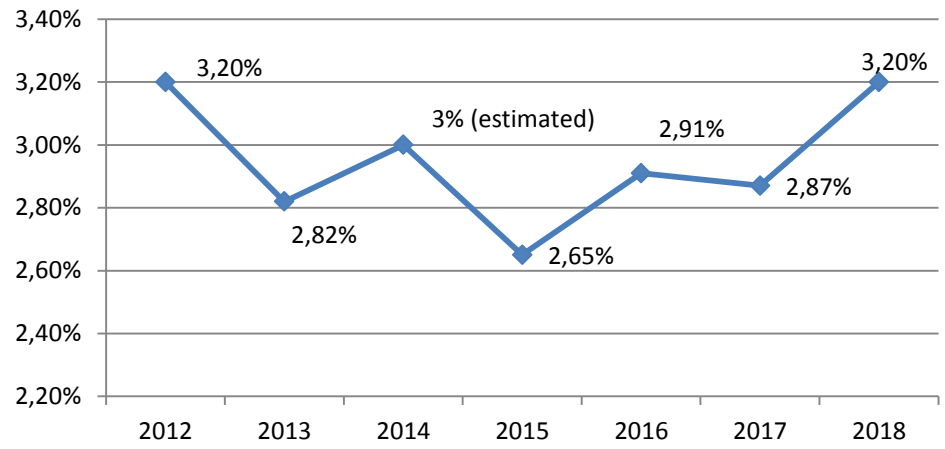
Note: Target date set to 2021 in line with the Strategic Plan 2016-2020 as the grant agreements for the last Horizon 2020 calls could be signed in 2021 after external evaluation.

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

A fourth control related indicator (KPI 4) was added in the 2017 Annual Activity Report. DG MOVE retains only a limited exposure to directly managed FP7 projects. DG MOVE, sharing a common approach adopted by the Research and Innovation family of DGs, maintains a reservation as the error rate attached to this activity is above the 2% materiality threshold.

KPI 4

Residual error rate (FP7); target <2%
(source: MOVE SRD.1)



The underlying exposure is estimated to represent 0.05% of DG MOVE payments in 2018. This is the only reservation to DG MOVE's assurance.

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

In accordance with the governance arrangements of the European Commission, (the staff of) DG MOVE conducts its operations in compliance with the applicable laws and regulations, working in an open and transparent manner and meeting the expected high level of professional and ethical standards.

The Commission has adopted a set of internal control principles, 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 principles. DG MOVE has assessed the internal control systems during the reporting year and has concluded that the internal control principles are implemented and function as intended with the exception of component 3 "Control activities". Please refer to AAR section 2.1.3 for further details.

In addition, DG MOVE has systematically examined the available control results and indicators, including those aimed to supervise entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by internal auditors and the European Court of Auditors. These elements have been assessed to determine their impact on the management's assurance as regards the achievement of control objectives. Please refer to Section 2.1 for further details.

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

d) Provision of information to the Commissioner(s)

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

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

DG MOVE policies aim to provide European citizens and businesses with competitive, sustainable, secure and safe transport services. The transport sector contributes to the EU's agenda for economic growth and jobs, global competitiveness and trade, enabling both people and goods to move across Europe and beyond. Adequate infrastructure, intelligent transport systems, measures to improve the environmental performance of the transport sector and the promotion of new technologies, inter alia through increased research, developments and demonstration, are important challenges to be addressed, in particular for reaching the EU's targets for greenhouse gas (GHG) emissions, renewable energy and energy efficiency and the targets of 3% of GDP in Research & Development.

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

Transport policy contributes to five of the Juncker Commission General Objectives, as indicated in DG MOVE's Strategic Plan for 2016-2020: a new boost for **jobs, growth and investment**, **a connected digital single market**, a resilient **energy union with a forward-looking climate change policy**, **a deeper and fairer internal market** and **a stronger global actor**.

As also outlined in DG MOVE's Strategic Plan and Management Plan 2017, the specific objectives for the DG to contribute to an efficient and effective EU transport policy, include:

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

DG MOVE's achievement of its specific objectives has contributed in 2017 to the achievement of the general objectives pursued by the Commission and to several Commission impact indicators, as also reflected in Annex 12.

As an example, with the adoption by the Commission of the third Mobility package in 2018, DG MOVE has contributed to efforts to promote further competitive, socially fair, sustainable and connected mobility, which in turn will contribute to a resilient Energy Union with a forward-looking climate-change policy reducing greenhouse gas emissions, to a new boost for growth and jobs and a deeper and fairer internal market.

Likewise, DG MOVE's continuous work to support additional investment in transport infrastructure in 2018 promotes a modern European transport infrastructure while boosting jobs and growth, therefore contributing directly to meeting the Commission-wide targets on GDP Growth. The International Monetary Fund (IMF) estimates that an increase in public investment in infrastructure of 1% of GDP leads to a 1.5 % increase in GDP over four years. A well-connected Europe therefore significantly contributes to economic, social and territorial cohesion across the EU by boosting economic growth, stimulating job creation and tackling climate change. The TEN-T offers a solid and coherent plan to complete the core network by 2030 and the comprehensive network by 2050. This multimodal infrastructure needs to be developed or upgraded to ensure seamless traffic flows across the EU, a high level of safety, sustainability and interoperability. This is also an essential enabler of the transition towards smart and low-emission mobility.

DG MOVE's research and innovation activities also contribute directly to increasing the percentage of EU GDP invested in R&D in the EU[5].

DG MOVE is also actively involved in the European Semester exercise and provides input to the country reports and country specific recommendations, as well as the thematic fiche on transport accompanying the Annual Growth Survey 2019. Moreover, DG MOVE prepared the report 'Transport in the EU – current trends and issue', including country-specific analysis on major national transport policy challenges. DG MOVE also contributed to the activities of the Structural Reform Support Service for the Structural Reform Support Programme 2019[6].

During 2018 no critical risks materialised which could have endangered the achievement of objectives. However, it should be noted that the implementation of the Strategic Plan and the annual Management Plans (and in particular achieving objectives and seeing improvements in the indicators) does not only depend on the Commission. It is for the European Parliament and Council to decide on the Commission's proposals and then primarily for the Member States to implement them. External factors, such as energy price fluctuations or the general economic situation, can also have a significant influence.

One particular challenge, which has been addressed in 2018, is the preparations for the withdrawal of the United Kingdom from the European Union ("Brexit"), which is of particular importance also in the transport sector.

Brexit

As part of the Commission's overall preparations for Brexit, DG MOVE has prepared 6 legislative proposals, including 2 proposals for Brexit preparedness concerning the realignment of the North Sea – Mediterranean TEN-T corridor and maritime recognised organisations, as well as 4 contingency legislative proposals addressing air, road and rail basic connectivity and aviation safety in case of a no-deal Brexit[7]. In addition, 5 technical expert seminars were organised with the Council, the European Parliament and national experts covering Brexit preparedness for all transport modes. During 2018 10 DG MOVE stakeholder notices were published, setting out the implications of a no-deal Brexit in all transport modes. DG MOVE has also contributed to the publication of 2 Commission Communications on Brexit preparedness and contingency planning.

In addition to the Strategic Plan 2016-2020 and the annual Management Plan the framework used by DG MOVE for performance monitoring and reporting also includes other elements which provide information on the achievement of transport policy objectives. The detailed monitoring and reporting on the policy objectives and indicators

[5] Estimations of the positive effect of EU investments in research and innovation activities on growth and job creation can e.g. be found in the Impact Assessment of the Commission's proposal for Horizon Europe, the Framework Programme for Research and Innovation, (SWD(2018) 307 final of 7.6.2018).

[6] In the call for the 2019 round of the structural reform support programme, DG MOVE identified 14 applications from Member States that were directly related to transport. While DG MOVE supported all these applications, it contributed with comments on the content of five of them.

[7] The proposal related to rail was only put forward in 2019, but is included here for the sake of completeness.

for the spending programmes is done each year in the Programme Statements in the Draft Budget. Further information and performance indicators for transport in the European Union can also be found in the EU Transport Scoreboard[8] and in the report "Transport in the European Union: Current Trends and Issues"[9].

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

A high degree of implementation of EU transport legislation

Ensuring the implementation of transport legislation contributes directly to an efficient, sustainable, competitive, safe and secure transport system. In order to ensure transport systems which are fully integrated into efficient logistics chains and mobility services to passengers, the right regulatory framework conditions are required and a better regulatory environment for private investors contribute to jobs, growth and investments in transport infrastructures.

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

The effective application, implementation and enforcement of EU law constitute a high political priority for the Juncker Commission. In line with the Commission Communication of December 2016 'EU law: Better Results through Better Application' on the Commission's enforcement policy, specific focus was therefore put in 2018 on **improving regulation and ensuring a high degree of implementation of EU legislation in the transport area.** The result indicators concerning the transposition rates, open non-communication cases and infringement cases open for more than three years allow to monitor transposition and implementation of existing EU law in the Member States and take the appropriate action to address incorrect transposition and practical implementation at national level (see annex 12). The following key results in 2018 contributed to the implementation of this objective.

99% transposition rate in transport legislation in 2018

Promoting the implementation and enforcement of the EU transport acquis by Member States and in relations with third countries is also essential to allow European citizens and businesses to benefit from the Commission's transport policies. In 2018, DG MOVE made an important contribution to College infringement cycle decisions, by reviewing some 220 proposals in 2018 (19% of the Commission's total), covering areas such as rail, port services and airport charges. Numerous "reasoned opinion" proposals in cases of "non-communication" of Member States' national instruments for transposition were also prepared. In the competition and state aid area, DG MOVE played an active role in merger and horizontal state aid files, such as restructuring of airline industries and public financing of transport infrastructure projects, in particular in the context of InvestEU.

[8] see http://ec.europa.eu/transport/facts-fundings/scoreboard/index_en.htm

[9] see: https://ec.europa.eu/transport/themes/infrastructure/news/2019-03-13-transport-european-union-current-trends-and-issues_en

Implementing EU transport acquis

DG MOVE continued to engage in monitoring the implementation, transposition and correct application of EU law in line with the Commission Communication "EU-Law: Better Results through Better Application" of December 2016. To this purpose, DG MOVE updated its Infringement's Vade-mecum in order to adapt it to the new Commission rules on complaint treatment. To strengthen the partnership with Member States, DG MOVE organised 8 "Package meetings" with Member States presenting the highest number of EU-Pilot/infringement to foster the resolution of outstanding issues.

DG MOVE also took an active part in the enlarged dialogue within the "infringement monitoring" actors, both at intra-Commission level (in particular during structured Coherence meetings) and with Member States (presentation on the monitoring of the implementation of Regulations at the EU Law Network annual meeting).

As part of the implementation of the Commission's **Better Regulation agenda,** six impact assessments linked to legislative proposals from DG MOVE were scrutinised by the Regulatory Scrutiny Board, five of which were successful on first submission. Eight evaluations were completed in 2018, and 15 more evaluations were ongoing in 2018 and are expected to be completed in 2019 or later. All completed evaluations have been made available to the public via publication on the Europa.eu website.

DG MOVE is assisted in its work by **3 decentralised agencies** which it oversees: the European Aviation Safety Agency (EASA), the European Maritime Safety Agency (EMSA), the European Railway Agency (ERA). The agencies contribute to the achievement of specific objective 1, in particular its safety aspects. Further information on the relations with the agencies is also provided in part 2 of this report.

A resilient energy union with a forward-looking climate change policy

Transport has great potential for contributing to reducing emissions. In 2018, DG MOVE pursued its work to accelerate the shift towards low-emission mobility, therefore contributing to the broader shift to a sustainable, low-carbon and circular economy and to a resilient energy union with a forward looking climate change policy.

Social media banner for the third Mobility Package

Important initiatives from the Commission in this area included a European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy, entitled **"A Clean Planet for all"** (COM(2018) 773 final), adopted in November 2018, and the third Mobility Package **"Europe on the Move: Sustainable Mobility for Europe: safe, connected, and clean"** (COM(2018)293 final), adopted in May 2018. The latter, together with the two previous mobility packages adopted in 2017, included several legislative proposals, which contribute to addressing recommendations made by the Court of Auditors in its Special Report 23/2018 on Air Pollution. These include notably initiatives to promote clean mobility and incorporate the shift towards "the user and polluter pays" principle.

Important progress was made in 2018, taking forward the legislative proposals adopted with the three mobility packages. On 3 December 2018, the Council adopted a progress report on the proposal to amend Directive 2009/33/EC on the promotion of **clean, energy-efficient road transport vehicles**, which showed agreement on major parts of the text and rather common positions with the European Parliament.

As regards the promotion of **alternative fuels**, in 2018 a Commission Implementing Regulation on a common alternative fuels unit price comparison methodology was adopted. Furthermore, guidance on reporting on the implementation of the National Policy Frameworks under the Directive 2014/94/EU was provided. In addition, supporting the implementation of the Action Plan on Alternative Fuels Infrastructures, substantive leverage of finance was provided through the CEF blending call and technical assistance.

Social media banner for the 2018 'Multimodality Year'

Within the context of the 2018 **'Multimodality Year'**, DG MOVE intensified cooperation between all players in the multimodal sector, in order to raise awareness of how important multimodal transport is for Europe, review and modernise the relevant regulatory framework and push the digitalisation of the multimodal transport sector.

Substantive progress was also achieved in the legislative process regarding the proposal for amending Directive 92/106/EEC on **combined transport**, with the adoption by the Council of a General Approach in December 2018, following the adoption by the European Parliament in September of its report, laying the ground for the start of the "trilogue" negotiations.

The Commission's proposal for a new Directive on **Port Reception Facilities**, was adopted on 16 January 2018 as part of the Circular Economy Package. The Directive aims at an increased delivery of waste from ships, in particular addressing the problem of sea based sources of marine litter, by proposing further alignment with the International Convention for the Prevention of Pollution from Ships (IMO MARPOL) convention and effective enforcement measures combined with economic incentives to deliver waste in ports where the respective waste streams can feed into the circular economy. An agreement with the co-legislators on the future Directive was reached with the co-legislators in December 2018.

Announcement of the new Port Reception Facilities Directive together with the Plastics Strategy.

In February 2018, the European Maritime Safety Agency (EMSA), as part of the **European Sustainable Shipping Forum (ESSF)** finalised the Liquefied Natural Gas (LNG) bunkering guidance document for port authorities supporting the development and use of LNG throughout Europe. The mandate of the ESSF was also renewed by the Commission Decision C(2018) 4908, adopted on 27 July 2018. The renewed ESSF will focus further on the promotion of environmentally sustainable initiatives such as alternative fuels, decarbonisation, air emission from ships and the maintenance of the EU shipping competitiveness.

In April 2018, significant progress was reached at IMO with the adoption of the **initial greenhouse gas (GHG) emissions reduction strategy**, which represents the first instance in which a global industry sector agreed to a GHG emission reduction objective. The strategy includes quantified objectives for the sector implying a peak of emissions as soon as possible and reducing the annual GHG emissions by at least 50% by 2050 compared to 2008 whilst pursuing efforts towards phasing them out as soon as possible

in this century.

The implementation of the international agreement on **emissions from aircraft** agreed at the 2016 Assembly of the International Civil Aviation Organisation (ICAO) remained a key priority for DG MOVE in 2018, as a contribution to a Resilient Energy Union with a forward-looking climate change policy as well as making the EU a stronger global actor. In particular, the year 2018 has seen the continuation of discussions aiming to agree on the technical details of a future Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). The ICAO Council adopted the CORSIA Standard containing the necessary details to start the scheme on 28 June 2018.

Regarding **sustainable urban mobility planning** (SUMP), a conference was organised in Nicosia in May 2018, where the revision of SUMP guidelines (SUMP 2.0) was kicked off. The 2018 European Mobility Week saw a record-breaking participation. Furthermore, the evaluation of the EU Urban Mobility Package was launched and the Action Plan of the partnership on urban mobility under the EU urban agenda, to which DG MOVE was partner, was adopted on 22 November 2018

A deeper and fairer internal market

In accordance with the Commission Work Programme for 2018, the Commission engaged actively during the Bulgarian and the Austrian Presidencies to find a compromise on Mobility Package I, as adopted by the Commission on 31 May 2017.

Out of the nine legislative proposals of Mobility Package I, the proposal for a recast of the **Directive on a European Electronic Tolling Service (EETS)** was the first on which a General Approach was reached in June 2018. An overall agreement with the co-legislators was reached in December 2018.

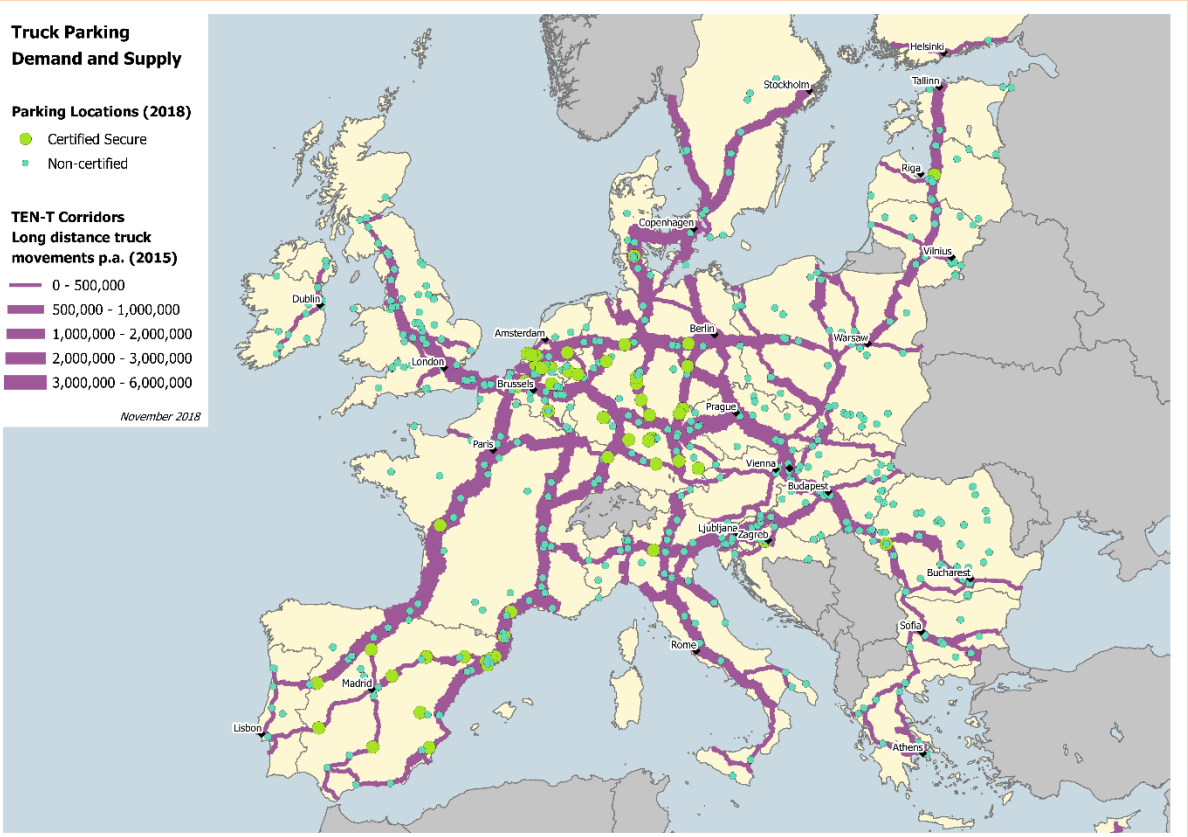
Discussions have not yet started in the Council on the other road charging file, i.e. the revision of the Eurovignette directive, while the European Parliament adopted its first reading.

A particular challenge throughout 2018 were the **social and internal market proposals of Mobility Package I**, which proved politically divisive and were debated during the Bulgarian Presidency without reaching a political agreement. A General Approach was finally achieved under the Austrian Presidency in December 2018. As the Parliament, has not yet concluded on these files, trilogues did not yet start. The Commission continues to push for an agreement, convinced that a uniform, modern framework is needed to improve working conditions and bring legal certainty to the sector.

The co-legislators were not yet ready to begin trilogue discussions on the proposals on **Hired vehicles**, on the proposal on the **liberalisation of regular bus and coach** in 2018.

Finally, a study, financed by the European Parliament, on **Safe and Secure Parking Areas** was released and presented to a large stakeholder conference in November 2018.

Safe and secure parking study



A study on safe and secure parking areas was funded by the European Parliament and contracted by the European Commission in 2018 with the aim of **identifying where safe and secure parking areas are located today, what their standards are and comparing this with the demand. This analysis showed big gaps along the main TEN-T corridors as indicated in the map above.**

According to the study there is a need for an additional 400.000 parking slots in the EU, which for a large part (around 300.000 slots) could be reached by upgrading existing parkings.

The large majority of cargo crimes – around 70% – occur when lorries are parked on non-secured parking areas, when drivers are resting. This imposes a major stress on drivers and lead to big financial losses for hauliers and shippers. The comfort of parkings is also an important factor for improving the working conditions of drivers and addressing such as issues as fatigue and attractiveness of the profession, for young and female drivers.

The results of the study were presented at a large stakeholder conference in November 2018 in Brussels. One of the important conclusions from the conference was that EU funding is key to develop parking locations and that it should be linked to a common EU parking standard, as proposed by the study, to create a network a safe and secure parking areas where users will have the certainty of a satisfactory level of service and security.

In line with the TEN-T guidelines stipulating that safe and secure parking areas shall be present every 100 km on the core network, safe and secure parking areas should be given a high priority. 8 applications for safe and secure parking financing have been received under the 2018 CEF Transport call for proposals, which was globally allocated EUR 200 million for Safe and secure infrastructure and Innovation and new technologies.

Road safety

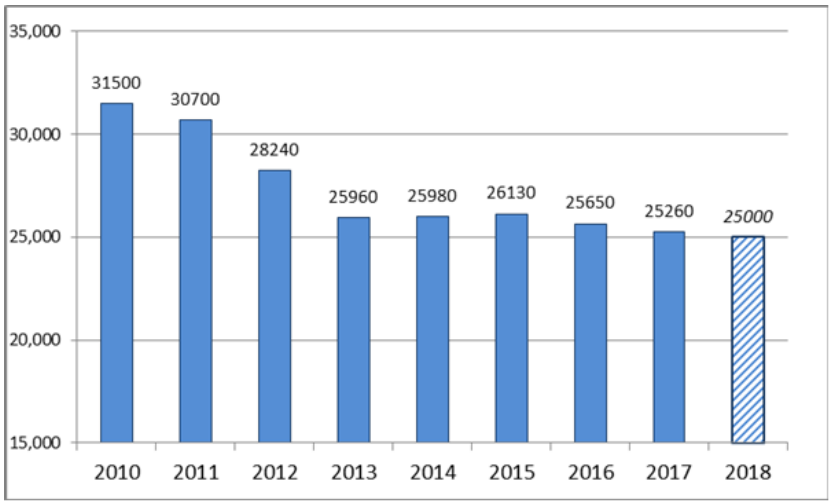
Commissioner Violeta Bulc announcing the EU's road safety results for 2018.

Responding to the call of EU transport ministers[10] and in line with the Commission Work Programme for 2018, the Commission adopted the outline of a **road safety policy framework 2021-2030** and a **Strategic Action Plan on Road Safety**, as part of Mobility Package III on 17 May 2018. Also as part of Mobility Package III, the Commission proposed to revise the Directive on **Road Infrastructure Safety Management**. A general approach on the proposal for the revision of the Directive on Road Infrastructure Safety Management was reached in the TTE Council of 3 December 2018.

The new road safety policy framework is a concrete example of action taken by the Commission as progress towards meeting the target of halving road fatalities from 2010 to 2020 was stagnating in recent years. The policy framework confirms the EU's longterm objective to move close to zero fatalities by 2050 ("Vision Zero") and introduces new interim targets to reduce both the number of fatalities and the number of serious injuries by 50% between 2021 and 2030. In order to address the need to reach these targets, the Commission adopted the **"Safe System" approach**, promoted by the World Health Organisation. This system involves monitoring based on Key Performance Indicators, funding support, closer cooperation between governance levels and sectors and concrete measures to address all factors at play in road crashes (safe roads and roadsides, safe vehicles, safe road use, fast and efficient post-crash care).

[10] Valletta Declaration on Road Safety, endorsed as Council Conclusions: http://data.consilium.europa.eu/doc/document/ST-9994-2017-INIT/en/pdf

Fatalities in road transport accidents[11]



With support from the European Parliament, the Commission is preparing three pilot projects: a programme for capacity building and staff exchange between road safety authorities, an information exchange of odometer data between Member States and a study of behavioural aspects in the move towards automated driving.

The policy framework also highlights the EU's global role in exporting road safety solutions. With support from the Commission, both the Western Balkans region and the Eastern Partnership region adopted Road Safety Declarations. The Commission also pledged to contribute EUR 900.000 to the UN Road Safety Trust Fund, which secured it a seat on the advisory board.

The revised Directive on the initial qualification and periodic training of professional drivers of trucks and buses was formally adopted on 18 April 2018.

Rail

The focus in 2018 was put on the correct **transposition and implementation of the EU rail legislation**, and the further advancing the work on rail freight corridors (RFC) and monitoring of the performance of rail markets.

As a key implementing measure of the 4th Railway Package, the **Commission Regulation on Economic Equilibrium test** was adopted in late 2018. This act establishes criteria to be followed by regulatory bodies when they assess whether new commercial rail passenger services risk undermining the economic equilibrium of public service contracts for passenger rail.

As regards **Rail Freight Corridors (RFC)**, the Commission continued its active support to their development, culminating in its organisation of the annual Rail Freight Day event in December 2018 and an agreement on non-binding operational conclusions. On 16 April 2018, the Commission published its Report on the application of Regulation (EU) 913/2010 concerning a European rail network for competitive freight. It also continued its work to address the recommendations on rail freight raised by the Court of Auditors in its Special Report 8/2016.

The Commission continued its activity of market monitoring with the **6th Rail Market Monitoring Survey (RMMS report)**. The bi-annual survey provides an overview of the main developments in the EU rail markets, including infrastructure length and financing, passenger and freight volumes, market opening, public service contracts, prices and quality of rail transport services. The results of a Flash Eurobarometer surveying the satisfaction of Europeans with rail services, published in September 2018, have been

[11] Source: CARE database. Figures for 2018 are based on estimations and subject to revisions.

included in the RMMS report.

Eurobarometer on Europeans' satisfaction with passenger rail services

The European Commission published In September 2018 the results of a Eurobarometer[12] survey on satisfaction of Europeans with rail services.

Almost in all aspects the results are better than in a similar survey conducted 5 years ago. Satisfaction with frequency of trains for example improved to 66% (seven percentage points compared to 2013).

According to the survey, punctuality and reliability are also well received, with 59% of users satisfied. Moreover, 55% of Europeans are satisfied with the provision of information during the journey, particularly when facing a delay. These figures all represent significant improvements on the results of a similar survey carried out in 2013. The survey also provides an insight into travel habits. Four out of five (80%) Europeans travel by train, and they are most likely to use the train for suburban trips (67%). More than three quarters (78%) never make international trips by rail.

The survey shows that 75% of Europeans find that buying train tickets is easy and 62% are happy with the availability of tickets for the journeys using several trains and transport. It illustrates the value of continued efforts to promote multimodality – that is, the use of different modes or means of transport on the same journey – thereby increasing the attractiveness of rail services.

Significant room for improvement remains: only 38% of Europeans are satisfied with complaint handling mechanisms, and the accessibility of rail services for persons with reduced mobility and the enforcement of passenger rights also require further work.

Rail safety and interoperability

2018 marked a year of milestones towards the implementation of the Fourth Railway Package (4RP). The technical pillar of the package consists of the **Safety and Interoperability Directives** as well as the **ERA Regulation**. Throughout the year, the Commission and the European Union Agency for Railway (ERA) held regular exchanges with National authorities and industry stakeholders on how to best organise the transition between the old and the new regime, which will be fully applicable as of June 2019. However, 18 Member States have notified their intention to take advantage of the possibility to delay transposition of the 4RP technical pillar by 12 months to June 2020.

ERA advanced its preparations to become a certifying and authorising entity for European vehicle authorisations, safety certification for railway undertakings and ERTMS trackside approvals. In July 2018 the Commission confirmed in a report on preparedness the progress achieved in this respect[13].

The Commission proceeded with the adoption of secondary legislation essential for the implementation of the technical pillar. It adopted twelve implementing and delegated acts mandated by the 4RP in 2018. These acts contain important legislation on the common safety management methods for operators in the rail sector, on the harmonisation of procedures for rail vehicle authorisation, on the fee and charges regime for ERA as an authorising entity, and on the Agency's board of appeal.

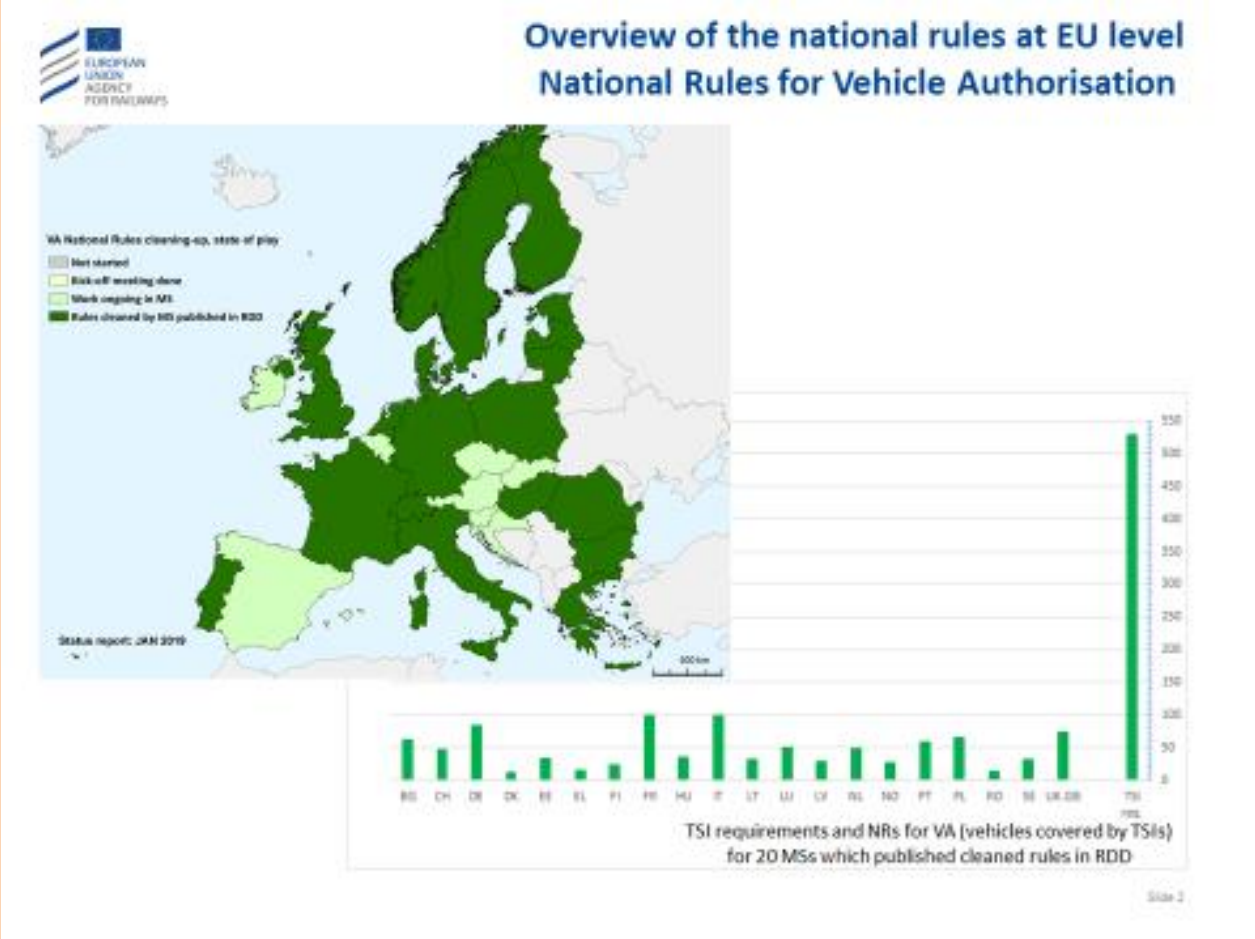
In respect of compliance rules relevant for rail vehicles, the Commission, ERA and Member States have made great progress in identifying redundant national legislation (approximately 90%). However, more effort will be required in 2019 and subsequent

[12] Flash Eurobarometer 463 on Europeans' satisfaction with passenger rail services (http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/survey/getsurveydetail/instruments/flash/surveyky/2172)

[13] Report from the Commission on the progress made in preparing for the European Union Agency for Railways enhanced role under Directive (EU) 2016/797 on the interoperability of the rail system within the European Union, COM/2018/623 final.

years in eliminating the vehicle related national rules and further achieving progress reducing national provisions managing rail operations and rail infrastructure.

European Union Agency for Railways – Reduction of National rules for vehicle authorisation



In June 2019 the European Railway Agency will take on new tasks as one stop shop for cross border rail services. An essential prerequisite for implementation of the Fourth Railway Package is the reduction and abolition of overlapping and non-transparent national rules.

The Agency is cooperating with the national safety authorities in removing over 14 000 obsolete or redundant national rules. This includes the elimination of unnecessary procedural steps that could hamper unhindered access of rail services to the infrastructure.

According to the Agency's recent figures, considerable progress has been achieved and national rules concerning in particular railway rolling stock have been reduced by 90%.

The Commission and the Member States with the assistance of the Agency also achieved considerable progress in 2018 in obtaining a compromise for technical specifications for vehicles with the objective to reduce **rail noise**.

Throughout the year, the Commission continued to push strongly for a rapid and comprehensive deployment of the **European Rail Traffic Management System (ERTMS)** and further defended its rail digitisation agenda. This included the implementation of recommendations made by the Court of Auditors in its Special Report 13/2017 on ERTMS. Both these workstreams are key for bringing the railways up to speed with other transport modes within a connected and smart European mobility environment.

The Commission continued to follow closely the activities of **Shift2Rail** JU to ensure that it delivers a more attractive, reliable and innovative railway for the future.

Waterborne

A **Fitness check of maritime transport safety and efficiency legislation** was published on 16 May 2018, covering five directives: Flag State responsibilities, Accident investigation, Port State control, Reporting formalities and Vessel traffic monitoring and information system. The Fitness check concluded on the relevance of several improvements to the legislative framework on which additional work will be carried out.

A proposal for a **Small Passenger Ships Guide**, adopted by the Commission on 23 May 2018, presents a common safety framework for those ships sailing domestically (length below 24 meters). The proposal recommends Member States to follow common safety goals and functional requirements for small passenger ships - such as for ship design, fire hazards and emergency situations. These requirements would facilitate access for manufacturers and operators to the wider EU market.

A proposal for a **Directive on the training of Seafarers** was adopted on 24 May 2018, amending Directive 2008/106/EC and repealing Directive 2005/45/EC on the mutual recognition of seafarers' certificates issued by the Member States. The proposal provides for simplification and addresses issues that have hindered the effectiveness and the efficiency of the legislative framework. A General Approach was agreed by the Council in December 2018.

Regarding **EMSA**, the Commission adopted in July a mid-term evaluation report on the Agency's activities for response to marine pollution from ships and oil and gas installations (Regulation 2014/911/EU). The report concluded on the relevance, added-value, effectiveness and efficiency of these activities.

The **Evaluation of the River Information Services (RIS) Directive** was expected to be completed by the end of 2018. However, there have been delays due to the need to align with the RIS-CEF project and CESNI activities in the field. The Evaluation is now expected to be finalised in 2019.

A **mid-term progress report on the implementation of the 2014-2020 NAIADES II** action programme for the promotion of inland waterway transport was adopted on 18.9.2018 (SWD(2018) 428 final). This document presents the progress achieved up to 2017 and the on-going actions that should be considered for implementing NAIADES II until 2020. On 3 December 2018, the Council adopted Conclusions on the promotion of inland navigation in which it invites the Commission to come forward with a follow up programme to the current NAIADES II, setting out priorities until 2030 for action at EU, national and local level.

Aviation

Social media banner and identity of Aviation Strategy for Europe

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

of the EU Aviation sector continued in 2018. In this context, a major achievement of the year was the adoption of the new Regulation of the European Parliament and of the Council on **common rules in the field of civil aviation and establishing a European Union Aviation Safety Agency (EASA)** – the so-called new EASA Basic Regulation, which entered into force on 11 September 2018. The new Regulation will contribute to maintaining a high European safety record in conditions of growing traffic, while reducing administrative burden and increasing efficiency through the possibility of pooling and sharing of resources between the Member States and EASA. Furthermore, it establishes the first **EU-wide legal framework for civil unmanned aircraft**.

The **EU Air Safety List**, which reflects a list of air carriers banned from operating to the EU, was updated twice in 2018. At the same time, the evaluations of the **EU Air Safety List Regulation** and of the Regulation on the **investigation and prevention of accidents and incidents in civil aviation** continued in 2018 for publication early 2019.

Another major achievement of the year was the agreement reached on 20 November 2018 by the European Parliament and the Council on a new Regulation on **Safeguarding competition in air transport**. The new Regulation – amending Regulation (EC) No 868/2004 – will allow the Union to address practices distorting competition between EU and non-EU airlines i.e. discriminatory practices and subsidies by means of transparent, evidence-based investigations and, where appropriate, redressive measures to restore equal opportunities between airlines.

Regarding the conclusion of **comprehensive air transport agreements**, during 2018, steady progress was made in the negotiations with ASEAN, with Qatar as well as with Turkey albeit more difficultly. Unfortunately, it was not possible to sign the EU-Ukraine, EU-Armenia and EU-Tunisia air transport agreements mostly due to the Gibraltar issue. Important Joint Committee meetings were also held with the US. Consultations with India continued in 2018 which led to the entry into force in 2018 of the EU-India Horizontal Agreement.

Following the conclusion of the negotiations with **China** on a bilateral air safety agreement (BASA) in September 2017, the Council decided on the signature of the Agreement on 18 May 2018. Discussions continued at technical level on the implementation and interpretation of the provisions before the Agreement can be signed. Negotiations with **Japan** on a BASA also continued during 2018.

The Commission continued to play an active role within **ICAO's Air Transport Regulation Panel** towards a modernisation of the economic regulatory framework governing the global aviation market. The Panel continued work on a standalone convention on the liberalisation of ownership and control criteria in air services agreement. Work also continued on a multilateral agreement on the liberalisation of market access.

Regarding the **Single European Sky (SES)**, a new performance and charging implementing regulation was developed and the Performance Review Body (PRB) delivered its report on Union wide targets for the next reference period of the performance scheme starting from 2020 (RP3).

With regard to the **SESAR** project, work on the definition, development and deployment phases of the SESAR project progressed substantially. The update campaign of the European ATM Master Plan, addressing also the integration of drones into the airspace, reached its final stage and was ready to integrate the results of the "Airspace Architecture study" carried out by the SESAR Joint Undertaking (SJU) in conjunction with the Network Manager. Following a request of the European Parliament, the study is expected to propose a new vision on how the European airspace architecture should look like in the medium to long term (2035), describing the intended airspace organisation, design and operations and the steps to be taken to achieve that architecture.

R&D projects funded under H2020 progressed well and the priorities of the second wave

of projects, to be launched in 2019, were set in the SJU's Single Programming Document. Following the 2017 CEF call for proposals, the SESAR deployment framework partnership, coordinated by the SESAR Deployment Alliance (SDA), acting as SESAR Deployment Manager, reached 94 partners and 349 projects, 92 of which were completed by the end of 2018.

In the framework of the **Memorandum of Cooperation (MoC) between the US and the EU on ATM modernisation, global interoperability and civil aviation R&D**, the cooperation addressing ATM R&D, deployment and performance metric, was very fruitful especially in terms of coordination at the ICAO Air Navigation Conference in 2018. The parties also published the 3rd edition of the "State of Harmonisation report" on the ATM modernisation programmes of both the EU (SESAR) and of the US (NextGen).

In 2018, it did not prove possible to make progress towards the adoption of the Commission's Slot proposal because of issues related to Gibraltar. Likewise, the Single European Sky (SES) 2+ proposal remained at an unfortunate standstill because of the same reason. Yet, work has started in order to promote **enhanced airspace capacity**. In particular, in addition to the above-mentioned study on the future airspace architecture, a Wise Persons Group on the future of SES was set up to report in April 2019 on collective recommendations on how to best offer additional ATC capacity. A first ministerial debate on this issue was held in December.

Work continued or started also on three other Aviation Strategy deliverables i.e. evaluations of the performance of the **Airport Charges Directive** (2009/12/EC), of the performance of the **Air Service Regulation** (Regulation N° 1008/2008) and of the performance of the **Computerized Reservation System (CRS) Regulation** (Regulation N° 80/2009). Furthermore, following a fact-finding study on **employment and working conditions of aircrews**, a Commission Report entitled "**Aviation Strategy for Europe: Maintaining and promoting high social standards**" was completed at the end of 2018 for publication in early 2019. It takes stocks of progress on the social agenda in air transport since 2015 while also putting forward a number of concrete actions to be implemented before the end of this Commission to further strengthen the aviation social agenda thus contributing to creating and maintaining high quality jobs. A study on **taxation in aviation** was also carried out during 2018.

A connected Digital Single Market

The Commission adopted the Communication "**On the road to automated mobility: An EU strategy for mobility of the future**" on 17 May 2018 as part of the 3rd Mobility package. This strategy provides for an EU vision on automated mobility and a long term agenda as requested by Member States in the 'Amsterdam declaration' of 2016.

In line with that strategy, the Commission is preparing the grounds for a single stakeholders platform for open road testing and pre-deployment of **connected and automated mobility**, as well as the necessary steps towards a possible future public-private partnership on mobility and safety for automated road transport.

In addition, by the end of 2018, a draft Delegated Regulation regarding common EU specifications for the **deployment and operational use of EU-wide C-ITS services** was prepared in view of adoption in 2019. As regards Digitalisation and Intelligent Transport Systems (ITS), a Commission Decision (2018) 8264 updating the Working Programme[14] for the period 2018-2022 was adopted end 2018.

A new legislative proposal for a regulation for the establishment of a harmonised **European Maritime Single Window environment** (EMSWe) was adopted as part of

[14] In accordance with Article 6(3) of Directive 2010/40/EU.

the third Mobility Package on 17 May 2018. It repeals the Reporting Formalities Directive 2010/65/EU and includes a set of measures to simplify further and harmonise the reporting environment for ships when calling at a European port. The proposal aims to improve data flows and increase efficiency and thus addresses recommendations made by the Court of Auditors in its Special Report 23/2016 on Maritime Freight.

A proposal for an **Electronic Freight Transport Information** (eFTI) Regulation was also adopted as part of the third Mobility Package on 17 May 2018. It establishes a framework for the electronic exchange of information, for regulatory enforcement purposes, between business and authorities, on the transport of goods within the EU. The regulation will lead to significant administrative burden reduction and efficiency gains for all transport sector stakeholders, and together with the EMSWe Regulation will enable the development of entirely digital information flows accompanying the goods from consignment to delivery along the entire logistics chain.

Digitalisation is also key to the further development of the inland navigation sector and its ability to compete with other transport modes. On the basis of a study finalised in 2017 on the digital inland waterway area, the "DINA" study, the Commission published in September 2018 a Staff Working Document on **Digital Inland Navigation** (SWD(2018)427 final). Furthermore, the Commission has adopted two implementing Regulations in support of the implementation of Directive 2005/44/EC on harmonised **river information services (RIS)** on inland waterways.

DG MOVE also continued the work of the **Digital Transport and Logistics Forum (DTLF)**. In September 2018, the Commission renewed the mandate of the Forum, which is expected to further support the Commission in the development and implementation of digital initiatives in transport and logistics, and in particular to support the implementation of electronic freight transport information and digital corridor information systems.

A stronger global actor

In 2018, DG MOVE continued to play an important role in international transport relations, contributing especially to the Commission policy priority of the 'EU as a global actor'.

Following the ratification by all **Western Balkans** partners of the Transport Community Treaty (TCT), in 2018, steps were taken as regards the implementation of the Treaty and the setting up of the TCT secretariat.

With respect to Turkey, an EU-**Turkey** transport ministerial meeting took place in April 2018 at the occasion of the visit of Commissioner Bulc to Turkey. The revitalisation of the High Level Technical Dialogue was agreed and a date was set for early 2019.

Regarding European Neighbourhood Policy (ENP) **Eastern Partners**, an informal Ministerial meeting took place on 27 April 2018 in Ljubljana in the margins of the TEN-T Days in which there were discussions on deepening connectivity and on agreement to prioritise road safety. Following the signature of six high Level Understandings on the extension of the TEN-T network to the EaP region, a Delegated Act was adopted and came into force in early 2019.

In addition, the first multi modal Transport Dialogue at highest technical level took place in October 2018 with **Israel**.

Following the launch of the EU-**ASEAN** Transport Dialogue in Singapore in 2017, the 2nd EU-ASEAN Transport Dialogue meeting took place on 9 May 2018 in Phuket, Thailand. This comprehensive cross-modal dialogue confirmed the mutual interest to continue strengthening EU relations with ASEAN countries. EU and ASEAN also initiated a project on road safety and ITS. Another successful bilateral Transport Dialogue was also held with **Singapore**.

Transport partnership with **Japan** was also revitalised, with the EU-Japan Transport Dialogue that took place on 7 December in Brussels.

Together with EEAS and other European Commission services, DG MOVE reinforced the importance of connectivity with Asia with the adoption of the EU Strategy on connecting Europe and **Asia**. This Strategy allowed Europe to reconfirm its importance in enhancing regional and global connectivity, which was recognised in particular at the ASEM summit, EU-China Summit and the EU-China Connectivity Platform.

The 3rd Chairs Meeting of the EU-**China** Connectivity Platform held in Beijing in July 2018 agreed in particular to launch a joint study to identify the most appropriate railway corridors connecting the EU and China. Discussions are also ongoing to identify the appropriate date in 2019 for the revitalisation of the EU-China Transport Dialogue.

The missions of the Commissioner and the Director General in the **USA** in the course of 2018 covered both policy discussions as well as dialogues with business.

During 2018, the Commissioner visit to **Mexico** assisted in deepening transport relations with this important market.

In line with the EU commitment to the implementation of the Joint Comprehensive Plan of Action (JPCOA), DG MOVE continued to pursue its cooperation with **Iran** across the transport modes. Following a previous seminar on rail, a technical workshop took place between the Iranian Ports & Maritime Organisation and the European Commission in November 2018 in Teheran.

Following the visit of Commissioner Bulc in **India** in December 2017, agreed actions of cooperation were prepared in the course of 2018 between DG MOVE and the Indian authorities in areas of mutual interest notably aviation, urban mobility and rail.

In line with the "Alliance for Sustainable Investment and Jobs between Europe and **Africa**" presented by President Juncker in September 2018, work was started to create a Task Force on Transport & Connectivity, focussing on aviation, road safety and infrastructure / connectivity.

People

Security

In 2018, DG MOVE carried out a number of initiatives to support the Commission's Security Union. It proposed successfully to update existing implementing rules of Regulation (EC) 300/2008 on **aviation security** to ensure a response to evolving threat and risk scenarios. This included tackling "Insider Threats", a priority topic, which is also on the agenda of the International Civil Aviation Organisation, with the adoption of significant improvements in the quality and accuracy of aviation personnel background checks. Detection and performance standards were also strengthened. This ensured that new technologies and the most advanced security solutions are deployed at European airports for the screening of persons, baggage and cargo.

DG MOVE continued to advance passenger facilitation benefits notably through an expansion of the number of countries with which the EU has a **One-Stop Security (OSS) arrangement**, reaching an agreement with Singapore and a phased-in approach with Israel.

DG MOVE further played its role as a global contributor to **aviation security capacity building** and cooperation, with on-site missions taking place at third countries of interest, also as an operational outcome of the on-going integrated exercise aimed at assessing risks posed by flights coming from non-EU countries.

The Commission adopted in June 2018 an Action Plan to improve **passenger railway**

security, with a list of short term actions to be carried out by the Commission and Member States. This was followed by a Commission decision setting-up an EU rail passenger security forum, the first meeting of which took place in November 2018.

DG MOVE completed the development of a toolkit providing operational guidance to address **cargo theft, theft of vehicles and stowaway entry to trucks**.

DG MOVE set the stage for possible future initiatives in 2019 to enhance the security union by completing a study on **ferry security** as well as finalising a study on piracy.

In addition, DG MOVE fulfilled the legal obligations of the Commission in monitoring the **implementation of EU maritime and aviation security legislation**. In 2018, DG MOVE conducted 76 maritime security inspections of 16 Member States, covering national administrations, ports, port facilities and ships. In the field of aviation, it carried out 24 aviation security inspections in 15 EU Member States and 5 assessments in the framework of OSS in 5 different third countries.

Passenger rights

Extract from the Passenger Rights campaign that aims to inform travellers about their rights when travelling in the EU.

Regarding passenger rights, the European Court of Auditors adopted an important audit report reviewing all **passenger rights legislation**, implementation and effectiveness. The report and its main recommendations will form the basis for further work in the future.

Meanwhile, 2018 saw the continuation of inter-institutional discussions on the Commission proposal for a recast of the **rail passenger rights** Regulation[15]. As regards **air passenger rights** the focus was on implementation and enforcement, in addition emphasis was put on reinforcing the cooperation with the National Enforcement Bodies by providing guidance on interpretation of the passenger rights acquis.

A study on the protection of **passenger rights in multimodal journeys** launched in 2017 delivered initial views. A study on best practices for **passengers with reduced mobility** (PRM) was completed while a Pilot study on mapping accessible transport for PRMs was launched; action was also initiated to update the Interpretative Guidelines for persons travelling by air[16]. Finally, a new **digital passenger rights awareness campaign** was launched.

Social aspects and equal opportunities

When it comes to horizontal social issues, the **Women in Transport-EU Platform for Change** started its work in 2018, including at international level.

The social dimension of the transition to automation was addressed in the Communication '**On the road to automated mobility: an EU strategy for mobility of the future**'[17]. As a first step, in preparation of a specific study, the effects of automation in transport on the labour force within the transport sector were discussed with stakeholders.

[15] COM(2017) 548 final of 27.9.2017.
[16] Interpretative Guidelines on Regulation (EC) 1107/2006 on the rights of disabled persons and persons with reduced mobility when travelling by air.
[17] COM(2018) 283 final.

The **Move2Learn,Learn2Move** initiative, managed by DG MOVE in cooperation with DG EAC under the Erasmus+ programme, continued with the participation of more than three thousands young Europeans.

Summer time

Following a number of requests from citizens, the European Parliament[18] and from certain Member States, an assessment was carried out of the functioning of the **EU summertime arrangements** and whether or not they should be changed. The topic was also discussed by Ministers at the June 2018 TTE Council. In this context, a public consultation was launched to gather the views of European citizens, stakeholders and Member States. The consultation was highly successful and received a record number of replies with around 4.6 million replies in total. This **generated various challenges, e.g. relating to IT capacity**, which were successfully managed. On the basis of an assessment of available evidence and the input from the consultation, the positions of Member States and the European Parliament, the Commission decided to propose a change to the current system and discontinue the seasonal changes of time, which was announced in the President's State of the Union speech on 12/09/2018. The proposal is now under discussion in the European Parliament and the Council, and a progress report was adopted by the Transport Council on 3 December 2018.

[18] EP Resolution of 8 February 2018, P8_TA-PROVE(2018)0043

1.2 Specific Objective 2: implementation of the TEN-T Network with the help of CEF and EFSI

The TEN-T corridor approach is an innovative multi-level governance system for bringing Europe closer to all stakeholders, primarily its citizens and has proven to be effective on delivering EU added value. In close cooperation with INEA and the EIB, DG MOVE ensures the **implementation of the TEN-T Network** and **financing modern European transport infrastructure,** thereby contributing to several of the overall Commission priorities. Investment in transport infrastructure contributes directly to the creation of jobs and growth, intelligent infrastructure and integrated transport management and information systems (such as SESAR and ERTMS) contribute to the Digital Single Market, the deployment of sustainable alternative fuels contribute to the reduction of greenhouse gas emissions, and the removal of bottlenecks and the improvement of cross-border sections contribute to a deeper and fairer single market. Furthermore, the extension of the TEN-T core network and Corridors to neighbouring countries enhances connectivity and contributes to make the EU a stronger global actor. On the basis of the analysis for the third version of the Core Network Corridor work plans, the completion of the TEN-T core network until 2030 (estimated total investment EUR 550-600 billion) will generate 1.6% additional GDP in 2030. The number of job-years created by the implementation of the Core Network could reach around 7.5 million job-years[19]. In a recent Landscape Review of the transport sector, the Court of Auditors also underlined the need for significant financial resources to meet the TEN-T objectives on schedule[20].

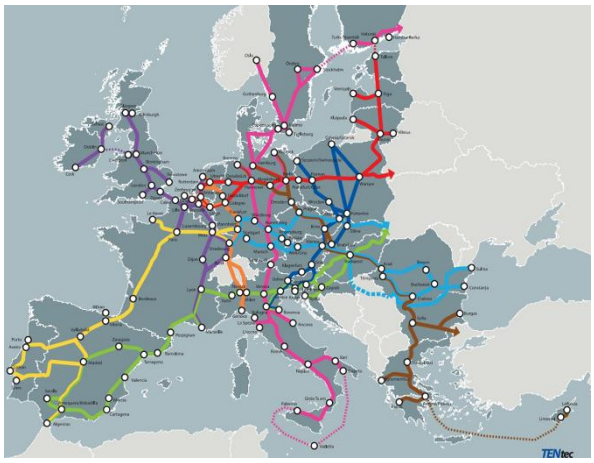
Investment and, especially infrastructure investment, is a major driver to strengthen the prosperity and cohesion in the Union, and to fight climate change and negative externalities from transport activities. Adequate infrastructure, innovative intelligent transport systems (ITS), measures to improve the safety, security and environmental performance of the transport sector are essential. The Connecting Europe Facility is delivering impressive results by concluding a first selection decision for the first blending call. The mid-term review of the CEF has demonstrated very evident strengths and singled out few areas where improvements are to be made for the next MFF.

Result indicators[21] measuring the total amount of signed CEF grants, delegations and contributions, the total amount of investments in EFSI transport projects, the number of bottlenecks removed along the TEN-T corridors and the number of supply points for alternative fuels financed by CEF notably allow DG MOVE to monitor the progress made for the completion of the TEN-T core network by 2030. In addition, for the spending programmes such as CEF, it should be noted that more detailed reporting on objectives and indicators for these programmes is included in the relevant Programme Statements, which accompany the Draft Budget for a given year.

- **CEF grants total** amount by the end of 2018: EUR 24 billion (100% of the total budget)
- Number of addressed **bottlenecks** along the TEN-T corridors which have received CEF funding: 29 by end 2018
- **Supply points for alternative fuels** supported through CEF: 733 by end 2018

[19] "The impact of TEN-T completion on growth, jobs and the environment" (Study on behalf of the European Commission, carried out by a consortium including Ricardo, MFive and TRT).
[20] Landscape Review "Towards a successful transport sector in the EU: challenges to be addressed", European Court of Auditors, 2018.
[21] As recommended by the Internal Audit Service, the formulation of the specific objective related to the implementation of financing for transport infrastructure (under CEF and EFSI) has in DG MOVE's amended Strategic Plan for 2016-2020 been broadened with an explicit reference to the effective implementation of the Trans-European Transport Network (TEN-T) and two additional indicators on the completion of bottlenecks on the TEN-T corridors and the number of alternative fuel stations financed have been added, to illustrate the results of the spending.

Trans-European Transport Networks (TEN-T)



The implementation of the TEN-T is based on clear coordination instruments alongside the Connecting Europe Facility for financial support.

The TEN-T policy continued to strive for the completion of the core network and the comprehensive network by respectively 2030 and 2050, notably by relying on its implementing tools such as the **Core Network Corridors** and the **European Coordinators**. The European Coordinators are guaranteeing the inclusion both top-down and bottom-up of a relevant project pipeline and tirelessly work on the cross-border projects that aim at creating a true European network. From this perspective, 2018 was a pivotal year as the team of the European Coordinators was partially renewed in September 2018. Their third corridor work plans were produced and subsequently approved by Member States. They provided for an updated analysis of the corridors' development and give full reassurance that the 2030 deadline for completion of the core network is a challenge but also a realistic goal if the necessary means and tools are in place for the oncoming years. As a novelty, they included a detailed analysis of environmental and socio-economic effects as well as the identification of innovative projects in the fields of urban multi-modality, intelligent transport systems or alternative fuels infrastructure. Similarly, the second version of the Detailed Implementation Plan for Motorways of the Sea was finalised and efforts continued for the implementation of the ERTMS European Deployment Plan.

In addition, taking into account the progress of the implementation of the core network corridors, and in view of completing the core network by 2030, the Commission proposed to adjust the alignment of the core network corridors. This adjustment is part of the Commission's proposal for a new Connecting Europe Facility for 2021-2027. Both the partial general approach reached in Council on 3 December 2018 and the report of the European Parliament voted in plenary on 13 December 2018 agreed on the proposed core network corridors extensions while proposing further modifications.

As part of the third package "Europe on the Move", the Commission put forward a proposal for a Regulation on **Streamlining Measures for Advancing the Realisation of the TEN-T** (so-called "Smart TEN-T). The European Parliament and the Council started to examine this proposal, which aims at facilitating the implementation of infrastructure projects on the core network by simplifying permit granting and public procurement procedures.

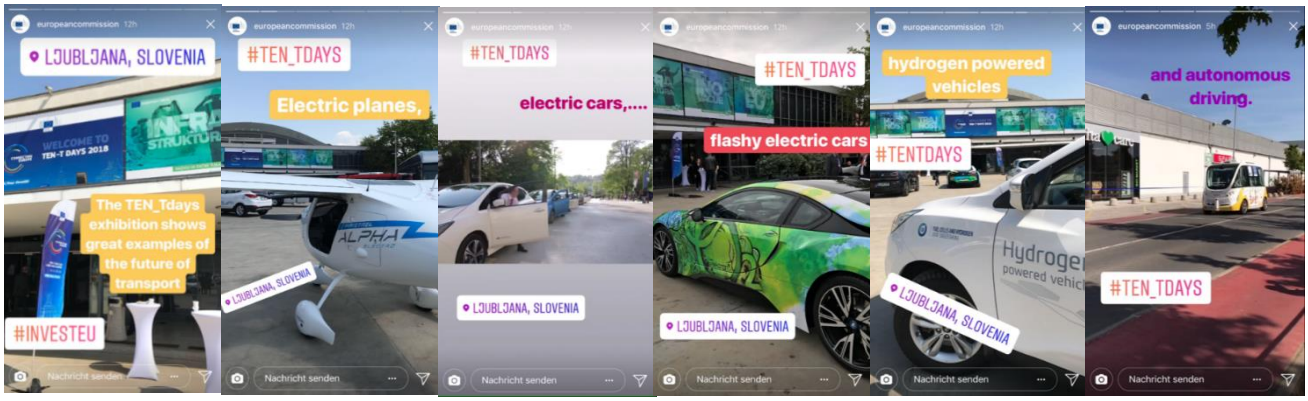
The Commission also adopted two Implementing Decisions in accordance with Article 47(2) of the TEN-T Regulation to support cross-border projects, namely **Evora-Merida** on 24 April 2018[22] and **Rail Baltica** on 26 October 2018[23]. These instruments are designed to offer more political and legal stability and define clear milestones for the implementation of the projects concerned. Technical work is on-going to prepare such implementing decisions for other relevant cross-border projects on the TEN-T.

A further step was made as regards the external dimension of the TEN-T with the adoption of a Commission Delegated Regulation related to new **TEN-T maps for Eastern Partnership countries** on 9 November 2018. Technical work started again to

[22] Commission Implementing Decision C(2018) 2356 of 24.4.2018 on the Évora-Mérida cross-border rail connection along the Atlantic Core Network Corridor.
[23] Commission Implementing Decision C(2018) 6969 of 26.10.2018 on the Rail Baltica cross-border project on the North Sea-Baltic Core Network Corridor.

prepare similar maps with the Southern Mediterranean Region.

In the context of the necessary preparations of the withdrawal of the United Kingdom from the European Union, the Commission put forward a proposal for a regulation to **adjust the alignment of the North Sea-Mediterranean Corridor**.



Instagram-story published on the Ljubljana TEN-T Days.

The **TEN-T Days in Ljubljana** at the end of April 2018 were another occasion to provide political impetus to the TEN-T policy. This major event was a good opportunity to take stock of progress made but also to advocate for more political and financial commitment to realise the TEN-T. In this context, it is worth mentioning the Joint Declaration on the future of TEN-T and CEF presented by the European Coordinators and the progress report on the Christophersen – Bodewig - Secchi Action Plan on how to make the best use of new financial schemes for European infrastructure projects. The Conference allowed to discuss the work plans of all Coordinators, with a clear view to prepare all input into the CEF2 proposal in time and gathered over 2000 participants.

Finally, 2018 was the genesis of a new pillar to TEN-T policy related to **military mobility**. A fully-fledged Action Plan was adopted in March 2018 to ensure the mobility of military staff and equipment across Europe. The Action Plan was endorsed by the European Council Conclusions of June 2018 and the NATO-EU Joint Declaration of July 2018 reaffirmed the need for swift and demonstrable progress in military mobility. In line with the Action Plan, the Council adopted on 28 November the Military Requirements for Military Mobility within and beyond the EU, which include generic infrastructure requirements, strategic geographical data and typical vehicle specifications. The next step is the gap analysis between the military and the TEN-T requirements, this on-going analysis should allow for generating a pipeline of dual-use infrastructure projects that could be supported under the CEF 2021-2027 and ultimately strengthen the TEN-T. Specific provisions in this respect were included in the proposal for a new CEF Regulation.

DG MOVE commissioned a study on the **Good Navigation Status of inland waterways** in view of providing guidance for attaining the requirements of Article 15 of the TEN-T Guidelines (Regulation (EU) 1315/2013). The study, finalised in January 2018, has been

made available on the EUROPA website[24]. It will serve as a basis for further work in this area.

Implementation of the Connecting Europe Facility (CEF)

DG MOVE ensures the implementation of funding for the TEN-T under the CEF in close cooperation with the Innovation and Networks Executive Agency (INEA) (for the grants part of the CEF) and the European Investment Bank (EIB) (for the financial instrument part of the CEF).

DG MOVE is responsible for setting out the CEF funding policy, notably the preparation and adoption of the CEF Work Programmes (funding decisions) establishing inter alia the indicative budget, funding priorities, and eligibility, selection and award criteria. INEA ensures the technical and financial management of the CEF grants, notably the preparation and publication of the calls for proposals, in close consultation with DG MOVE, as well as the negotiation, signing and management of the grant agreements with beneficiaries. With regard to the evaluation and selection of proposals, this is organised in two phases: an assessment by external experts organised by INEA in coordination and with participation of DG MOVE, followed by an internal phase, led by DG MOVE in association with concerned DGs. Both the CEF Work Programme decisions and the decisions with the lists of selected proposals are adopted by the Commission following consultation of the CEF coordination committee. They are also submitted to, and discussed with, the European Parliament under its right of scrutiny. INEA also ensures the effective financial and technical management of the legacies of the TEN-T and Marco Polo II programmes under the 2007-2013 MFF. DG MOVE considers that INEA executed the tasks under its responsibility in 2018 efficiently and effectively. In this respect, DG MOVE and overall the INEA Steering Committee approved the INEA 2018 Annual Activity Report including the related Declaration of Assurance.

The 2018 saw the **completion of the 2017 CEF Transport blending call**, launched by INEA on 8 February 2017. The call was organised around two deadlines for submission of proposals, in July 2017 and in April 2018, wherein the latter phase focused on innovation and new technologies projects, notably in the field of alternative fuels, in support of the Commission's Clean Mobility policy. The call took an innovative approach, making available a total indicative budget of EUR 1.35 billion of EU grants, to be combined with financing from the European Fund for Strategic Investments (EFSI), the European Investment Bank (EIB), National Promotional Banks or private sector investors. Under the first deadline, 39 projects were selected, totalling EUR 1 billion in CEF funding. Under the second deadline 35 projects were selected, totalling EUR 404,8 million in CEF funding.

In particular, for the second cut-off date, the largest part of the funding was attributed to Actions supporting the development of innovative solutions and new technologies for transport (EUR 209.5 million), as well as upgrading the railway network, maritime connections, ports and inland waterways (EUR 103.6 million).

In detail, over EUR 250 million of CEF co-funding will be dedicated to promoting alternative fuels in transport. These projects include i.e.:

- Greening the maritime transport link between Swinoujscie port in Poland and Ystad port in Sweden;
- Deploying hydrogen public transport infrastructure in Denmark, the UK and Latvia;
- Building a network of bio-liquefied natural gas stations on roads connecting southern Spain and eastern Poland, via France, Belgium, the Netherlands and Germany;
- Developing zero-emission public transport services for Amsterdam airport, as well as electrifying urban and regional bus routes in Croatia, Italy, Slovenia and

[24] https://publications.europa.eu/en/publication-detail/-/publication/7980f36c-3eca-11e8-b5fe-01aa75ed71a1

Slovakia.

Other relevant infrastructure projects selected are those concerning the upgrading of the Ampsin-Neuville lock complex on the Middle Meuse river in Belgium and the upgrading of the maritime ports of Hamina-Kotka and Leixões.

On 6 October 2017, INEA launched the **CEF Transport SESAR call** for proposals, aiming at modernising Air Traffic Management (ATM) in Europe and providing a high performing ATM infrastructure that will enable the safe, efficient and environmentally friendly operation and development of air transport. The CEF Transport SESAR call was open for project proposals on the deployment of new and mature technologies and practices that support harmonised ATM systems and standards in Europe. As a result of this call, 14 Grant Agreements were signed, for a total CEF funding of EUR 290.3 million. The awarded co-financing will contribute to the modernisation of the European ATM with the objective of establishing of a Single European Sky in 23 EU Member States (as well as Serbia). Among the Grant Agreements signed, it is worth mentioning the cluster Grant Agreement including the deployment of 49 new SESAR implementation projects and contribution to the deployment of the six ATM functionalities included in the Pilot Common Project (PCP), with a dedicated amount of EUR 228 million.

Moreover, the fourth specific grant agreement for the **Programme Support Action in favour of the SESAR Deployment Manager** for an amount of EUR 8.893.430, which was signed on 13 December 2017, covers the period from 1/1/2018 to 31/03/2019.

Also, an **amendment to the CEF Multi-annual Work Programme** was adopted on 19 April 2018, making available a total indicative amount of EUR 450 million for the 2018 call for proposals, under the General envelope of CEF Transport, to support projects of common interest related to the cross cutting objectives of transport digitalisation, road safety and multimodality. INEA launched the call on 17 May 2018, with a deadline for submission of proposals on 24 October 2018; final project selection is expected by April 2019.

Furthermore, a **financing decision establishing the CEF Annual Work Programme** was adopted on 12 October 2018. It allowed INEA to launch on 5 December 2018 the 2019 CEF Transport call concerning financial assistance through grants for projects of common interest regarding two priorities: (1) cross-border sections, connections to and the development of maritime ports and (2) mitigation of the impact of rail freight noise and vibrations. For this purpose, a total indicative amount of EUR 100 million was made available: EUR 65 million for priority 1 and EUR 35 million for priority 2.

In addition, in 2018, DG MOVE and INEA carried out a **mid-term review of the ongoing Actions from the 2014 and 2015 calls** under the Multi-Annual Work Programme (the 'MAP MTR'), with the objective to ensure the efficient and effective use of EU funds.

The MAP MTR was carried out in the framework of the 2018 Action Status Report (ASR) exercise. It looked at a total of 338 Actions in order to assess their state of play by 31/12/2017, their future implementation plans and any risks.

The completion of the information-share about the results of the MAP MTR is expected to be achieved by the first quarter of 2019, when the financial impact of the MAP MTR on a first group of Actions (MAP 2014 and 2015) will be known and possible decision to launch CEF Transport reflow calls will be taken.

At the same time, DG MOVE achieved important progress in **addressing the important challenge of preparing the successor of the CEF Programme post-2020 (CEF II)**. In particular, on 6 June 2018, the Commission issued its proposal for a Regulation establishing the Connecting Europe Facility (2021-2027). The text of the Commission proposal served as reference document for the discussions within the co-legislators services and in its broader lines has been confirmed by the Council partial general approach of 3 December 2018 and by the Parliament plenary report of 13 December 2018. Trilogues started in early 2019 in view of reaching a partial agreement on the proposal, pending the negotiations on the MFF.

Commission proposal for a CEF Programme post-2020

With relation to evaluation procedures, on 13 February 2018, the Commission adopted the report to the European Parliament and the Council[25] on the CEF Mid-term evaluation, presenting the assessment of the overall programme's performance in light of its general and sectoral objectives. The evaluation concluded that after the first three and a half years of CEF implementation, the programme is on track, although it is much too early to measure results given that its implementation is still at an early stage. Moreover, the performance framework provided in the Regulation has proven lacking well-defined or robust indicators. The ongoing CEF II negotiations aim at addressing these shortcomings.

Finally, important steps for the finalisation of 3-year evaluation of the INEA required by Council Regulation (EC) 58/2003 have been taken and work on the TEN-T ex post evaluation also progressed.

CEF Debt Instrument implemented by the European Investment Bank

During 2018, important efforts have been attributed to the implementation of the **Cleaner Transport Facility** and the **Green Shipping Guarantee** program, and the draft of the amended Delegation Agreement between the European Commission and the EIB. This amendment will allow, inter-alia, the implementation of funds stemming from the **NER300 Programme** to roll out renewable transport technologies. This amendment will also respond to one of the most important recommendations identified by the European Court of Auditors in the framework of the performance audit SR 09/2018 on the Public Private Partnership, on complementarity between CEF Debt Instrument and EFSI, and refocus the CEF Debt Instrument on support for green and innovative investments.

Finally, as part of the 'Omnibus' package approved in July 2018, an amendment to the CEF Regulation to establish the possibility of a **Blending Facility** for one or more of the CEF sectors, has been agreed.

Examples of TEN-T projects completed in 2018

Maritime
Zero-emission ferries across the Öresund (DK-SE) Two existing RoPax ships, originally driven by marine gas oil, were converted to plug-in, all electric powered operation using exclusively large and powerful batteries. They operate on the route between Helsingør (Denmark) and Helsingborg (Sweden), a distance of approximately 4 km, carrying more than 7.4 Million passengers and 1.9 million vehicles annually. The ferries are

[25] CEF Mid-term Evaluation published on 14 February 2018 COM(2018) 66 final available at: https://ec.europa.eu/info/publications/mid-term-evaluation-connecting-europe-facility-cef_en

charged with CO2 neutral energy, which enables a 100% reduction in overall emissions compared to the previous diesel operated ferries. The project received support from the Connecting Europe Facility.

LNG bunkering facilities in North Sea Ports

A maritime LNG bunker vessel based in the Port of Rotterdam (Netherlands), is now operating in the Antwerp-Rotterdam-Amsterdam region. It was designed and built with support from the CEF, including accompanying measures for infrastructure in the ports and training courses in the field of LNG operations. The Port of Lübeck (Germany) has prepared a site for a future LNG bunkering terminal (road/rail work) and will install safety equipment as part of the project.

Rail

Deployment of the European rail traffic management system in Belgium

A substantial part of the North Sea-Baltic corridor in Belgium has recently been equipped with the European rail traffic management system. 60% of the Corridor in Belgium is now being covered, with the aim to complete the implementation on the entire Belgian railway network by 2022. In 2018, for example a 29.5km long section near Liege was completed with support from the Connecting Europe Facility, generating significant improvements in the rail interoperability and safety.

Elimination of a bottleneck on the freight line through Bergslagen, Sweden

With support from the Connecting Europe Facility, several bottlenecks have been eliminated on one of the busiest single railway tracks in central Sweden, carrying nearly 10 million tons of freight a year. Additional tracks, bridges and level crossings were constructed as part of the project, allowing greater capacity and efficiency for transport of important commodities such as iron ore, steel, paper and pulp from northern Sweden to South Sweden as well as to Northern and Central Europe.

Railway link connecting Athens (Greece) towards Thessaloniki and the Bulgarian border on the Orient East Med Corridor

Completion of the upgrade of the Athens-Thessaloniki axis, as part of the objective to turn the entire Patras-Athens-Thessaloniki-Promachonas (BG border) axis into a high speed railway axis of increased capacity, equipped with modern signalling, tele-commanding, telecommunication and electrification systems. The project received support from CEF.

Inland navigation

Extension of the Mittelland canal, Germany

Improved inland waterways connection between Hannover and Berlin through the removal of the last bottleneck in compliance with the criteria of Class Vb European Waterways. The project widened and increased the depth of the canal bed for 1.5 km in conjunction with an adjustment of bridge clearance heights. The project received support from CEF and is located on the North Sea-Baltic and Orient East-Med TEN-T Corridors. It will guarantee a safer, economical and environmentally friendly goods transport link between the Berlin-Magdeburg-Hanover route and the West German industrial centres, while improving hinterland connections to the most important North Sea ports.

New container terminal in Strasbourg, France

The Port of Strasbourg opened in June 2018 a new container terminal in Lauterbourg. The terminal has a capacity of 80,000 TEUs per year and it can handle two barges simultaneously. The project included construction of two 400-meter rail tracks and two reach stackers. The total cost of investment was 14 million EUR, of which 20% came from EU funds (regional funds and CEF).

Upgrading of the trimodal port of Giurgiu, Romania

Rail and road connections to the trimodal inland port of Giurgiu have been completed with support from the Connecting Europe Facility.

Innovation

Fast-charging stations for electric vehicles in Germany and Belgium

The FAST-E project completed in September 2018 deployed 241 multi-standard fast chargers in Germany and 37 in Belgium, as part of a study with an integrated pilot. The charging infrastructure is located on several TEN-T Corridors and the project was supported from the Connecting Europe Facility.

Pilot deployment of 29 multi-standard fast electric chargers in Slovakia and the Czech Republic

29 multi-standard fast chargers were installed in Slovakia and the Czech Republic as part of a pilot for a coordinated electric vehicles charging network in both countries. An Electric Vehicle Roll-Out Master Plan for Slovakia and the Czech Republic was also developed as part of the CEF-supported project.

Multimodality

New logistics platform opened in Badajoz, Spain

Completion of the construction of the intermodal logistics platform serving ports in both south of Spain and south of Portugal.

Urban nodes

New traffic management and traveller information services in Lyon Métropole

In order to reduce congestion and improve travel time estimations, 936 traffic sensors and 31 new traffic control cameras were installed an app has been launched to provide real transport information to citizens and promote park and ride strategies. The project received support from the Connecting Europe Facility.

1.3 Specific Objective 3: Implementation of funding for research and innovation activities in transport

Supporting research and innovation in transport contributes to a European transport system that is resource-efficient, climate- and environmentally-friendly, safe and seamless for the benefit of all citizens, the economy and society.

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

The management of research and innovation programmes and projects touching upon a wide range of transport policies contributed in 2017 to the implementation of the Junker Priority on A Resilient Energy Union with a Forward-Looking Climate Change Policy and to DG MOVE's Specific Objective 3 established in the Strategic Plan 2016-2020.

A result indicator on the total amount of signed transport-related Horizon 2020 grants, delegations and contributions enable to track the progress made in the promotion of innovation and research in transport. In addition, for the spending programmes such as Horizon 2020, it should be noted that more detailed reporting on objectives and indicators is performed in the relevant Programme Statements which accompany the Draft Budget for a given year.

The 2018 outputs for Specific Objective 3 were fully in line with the 2018 milestone/target anticipated in the Strategic Plan 2016-2020 and in the Management Plan 2018. In particular, this related to the successful selection of transport research and innovation projects in 2018 for a total amount of approximatively EUR 245 million. As a result, the major 2018 milestone for Specific Objective 3, to achieve the implementation of EUR 1.246 million or 69% of DG MOVE's Horizon 2020 Transport budget under this Multi-annual Financial Framework was successfully achieved.

HORIZON 2020

The **Horizon 2020 Transport Work Programmes** continued to be implemented successfully in 2018.

In particular, 2018 saw the kick-off of new projects worth some EUR 105 million from the 2017 Call (the majority managed by INEA). New projects are addressing in particular the areas of urban mobility, efficient logistics and infrastructure (including the port of the future). Furthermore, the 2018 Call launched in last quarter of 2017 was closed and by end 2018, the evaluation process was complete. In 2018, the 3-year Horizon 2020 Transport Work Programme 2018-2020 was also adopted and the 2019 Calls were launched in the last quarter of 2018. The Horizon 2020 Research & Innovation Calls continue to make a significant contribution to a number of Commission priorities, including Jobs, Growth and Investment, the Energy Union and the Digital Single Market.

Horizon 2020 grants by the end of 2018:

EUR 1.246 million for all calls up to WP 2017

Examples of Horizon 2020 projects funded in 2018

Horizon 2020 project on Multimodal Optimisation of Roadspace in Europe: MORE

MORE is an EU value-added project funded by Horizon 2020, which was launched in 2018 (duration until 2021). This EUR 5.5m project is focusing on the optimisation of Roadspace infrastructure, particularly in Urban areas, improving capacity and congestion, as well as contributing to climate action by reducing local emissions.

Horizon 2020 project on Future proofing strategies FOr RESilient transport networks against Extreme Events: FORESEE

FORESEE is another project funded by Horizon 2020, which kicked-off in 2018 (duration until 2022). This EUR 5m project is focusing on the development of new technologies, methodologies and tools to strengthen the resilience of Europe's transport infrastructure. In particular, the project will assess the resilience of rail, road corridors and multi-modal terminals in extreme events, including earthquakes and climate-related flooding, landslides or extreme snow conditions.

STRIA / TRIMIS

Following the announcement of the **Strategic Transport Research and Innovation Agenda (STRIA)** and the **Transport Research and Innovation Monitoring and Information System (TRIMIS)** in the context of Mobility Package I in May 2017, a number of work streams were elaborated in 2018. This included the creation of a new STRIA Working Group on Connected and Automated Transport, with the involvement of Member States, stakeholders and experts; as well as two other Working Groups on Smart Mobility Services/Urban and on Infrastructure. Furthermore, following the launch of TRIMIS in September 2017[26], a monitoring framework has been developed for the implementation of STRIA, with Key Performance Indicators and additional TRIMIS analyses to support the design and deployment of transport research and innovation.

TRA 2018

In April, the **Transport Research Arena 2018 (TRA)** was co-organised in Vienna with the Austrian Ministry of Transport, Innovation and Technology. Over 3500 stakeholders from science, industry and the public sector took part in the over 100 sessions that were held undertaking more than 8,500 minutes of scientific discussion. TRA 2018 was themed "A digital era for transport-solutions for society, economy and environment" and addressed topics related to the digitalisation and decarbonisation of the transport system and the future of mobility in Europe. In particular, the sessions on the requirements and needs for achieving a sustainable and affordable door-to-door multimodal transport and technologies to help tackle the mobility of goods and/or provide new traffic safety solutions were well received by the expert audience. In addition to the sessions, over 90 companies and Horizon 2020 funded projects presented

Commissioner Bulc opening TRA2018 in Vienna

[26] www.trimis.ec.europa.eu

their products and solutions in the exhibition.

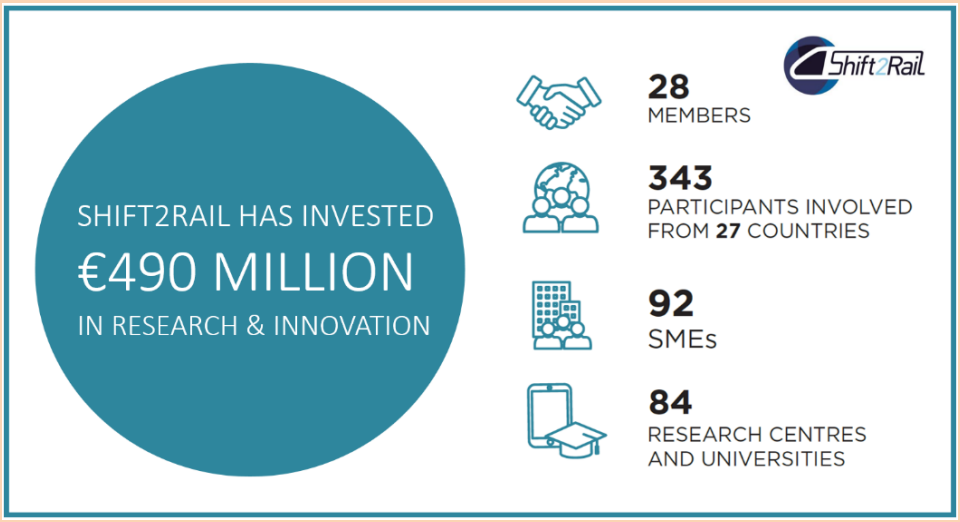
Horizon Europe

In 2018, DG MOVE contributed to the preparation of the Commission's proposal (adopted in June 2018) and to the subsequent inter-institutional negotiations, relating to the design of the next Framework Programme, **Horizon Europe**, in the context of the next Multiannual Financial Framework (MFF) beyond 2020.

Shift2Rail and SESAR Joint Undertakings

Research and innovation activities in rail and in air traffic management were implemented through indirect management delegated to the **Shift2Rail** and **SESAR** Joint Undertakings. This approach reinforces the link between research and policy and ensures a strong continuity in deployment of results.

Shift2Rail Joint Undertaking achievements



In 2018, the Shift2Rail JU (S2R) awarded 19 grants for a total of EUR 152.6 million. In total, 185 participants will develop new solutions for railway systems under the 2018 S2R Call for Proposals in the fields of rolling stock, traffic management, infrastructure, information technology and freight. SMEs represent 31.5% of the entities selected in the Open Call projects. Shift2Rail has cumulatively invested EUR 490 million in Research & Innovation activities, which corresponds to more than half of the 2014-2020 Budget.

In September 2018, S2R JU showed at InnoTrans 2018 more than 20 cutting-edge initial demonstrations for key technologies, such as connected trams, moving block over ETCS for mainline networks, intelligent freight terminals and video gates, and obstacle detection devices.

Never in the past has the rail sector converged in such a manner on the priorities and bundled its efforts to achieve such progress. S2R JU has provided the opportunity to federate the sector around a clear mission, to modernise and increase attractiveness of rail's offer for mobility and transport and connect the different modes.

SESAR Joint Undertaking achievements

Exploratory research projects: during 2018, all 28 projects awarded for the Exploratory Research 1 (ER1) call (2015) were closed, while the projects for the 2nd call (2016 - drones) and the 3rd call (2017-ATM) are still in execution. Specifications were prepared for a fourth call to be launched in Q1 2019.

Very large scale demonstrations projects: projects awarded under the first call (2017) were in execution, while seven new projects focusing on drones were launched this year.

Industrial research: the 24 projects representing the core activity of the Wave 1 SESAR 2020 programme started delivering real results as they approach their closure next year. Specifications for a Wave 2 call to be launched in 2019 were prepared, with a particular focus on improving capacity and the environmental performance.

An example of an operational application of SESAR results is the implementation of **"Required Navigation Precision" approaches at Charles De Gaulle Airport** in France with vertical guidance. The project represents an important step to reach the Pilot Common Project objective to improve the precision of the aircraft approach trajectory and facilitate air traffic sequencing at an earlier stage. This project, concluded in 2018, allows ground stakeholders and airspace users to adopt more efficient procedures delivering significant benefits in terms of fuel savings, airport access and reduction of carbon and noise emissions in the surrounding areas. Furthermore, by maintaining maximal runway throughput when an instrument landing system is no longer available, it avoids that delays increase significantly.

2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

This section explains *how* the Directorate General (DG) delivered the achievements described in the previous section. This section is divided into two subsections.

The first subsection reports the control results and all other relevant information that support the assurance of DG MOVE management on the achievement of the financial management and internal control objectives[27]. 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 to the DG.

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

2.1 Financial management and internal control

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

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

- the reports by Authorising Officers by Sub-Delegation (AOSDs);
- the reports from Authorising Officers in other Directorates-General managing budget appropriations in cross-delegation;
- the reports on control results from entrusted entities in indirect management as well as the result of the Commission supervisory controls on the activities of these bodies;
- the contribution of the Internal Control Coordinator, including the results of internal control monitoring at the Directorate-General level;
- the reports on recorded exceptions, non-compliance events and any cases of 'confirmation of instructions'(Art 92.3 Financial Regulation);
- the reports of the ex-post audit;
- the limited conclusion of the internal auditor on the state of control and the observations and recommendations reported by the Internal Audit Service (IAS);
- the observations and the recommendations reported by the European Court of Auditors (ECA).

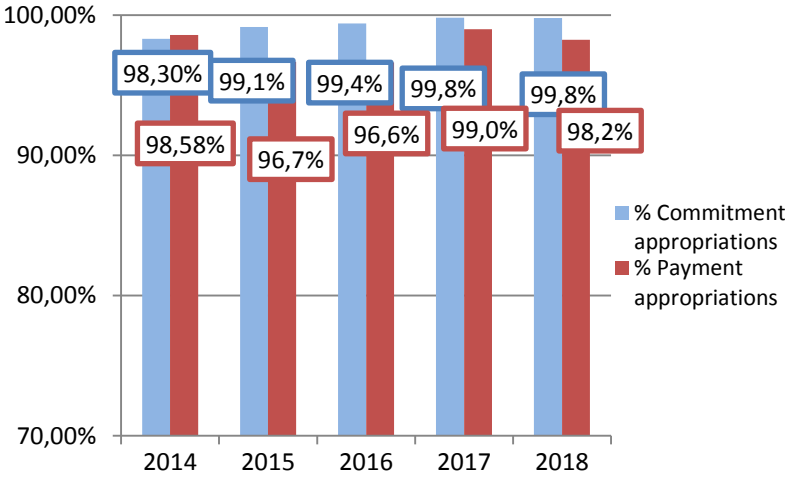
These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a complete coverage of the budget delegated to the Director-General of DG MOVE.

[27] Art 36.2 FR: a) effectiveness, efficiency and economy of operations; b) reliability of reporting; c) safeguarding of assets and information; d) prevention, detection, correction and follow-up of fraud and irregularities; and e) adequate management of risks relating to the legality and regularity of underlying transactions.

Overview of the 2018 budget execution

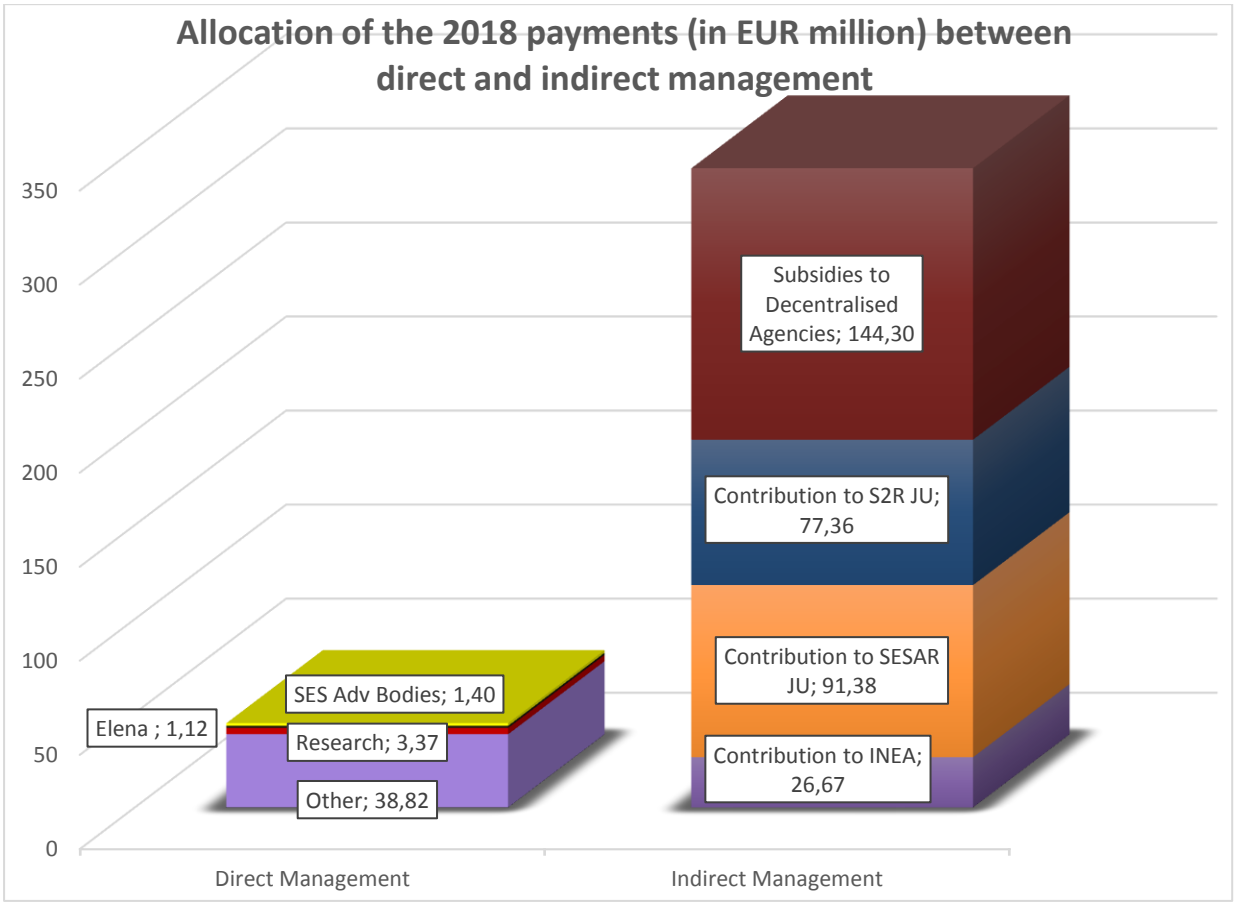
The total payments of DG MOVE in 2018 amount to EUR 384.41million, the vast majority being operational as the administrative part only accounts for 0.56%.

The following chart shows the execution of DG MOVE's appropriations[28] over time. In 2018 DG MOVE absorbed 99.8% of the commitment appropriations and 98.2% of the payment appropriations.



The two charts below provide an overview of DG MOVE implementation of its programmes and activities under direct management (11.63% of the expenditure) and indirect management (88.37% of the expenditure).

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


Allocation of the 2018 payments (in EUR million) between direct and indirect management
350
300
250
200
150
100
50
0
Elena ; 1,12
SES Adv Bodies; 1,40
Research; 3,37
Other; 38,82
Subsidies to Decentralised Agencies; 144,30
Contribution to S2R JU; 77,36
Contribution to SESAR JU; 91,38
Contribution to INEA; 26,67
Direct Management
Indirect Management

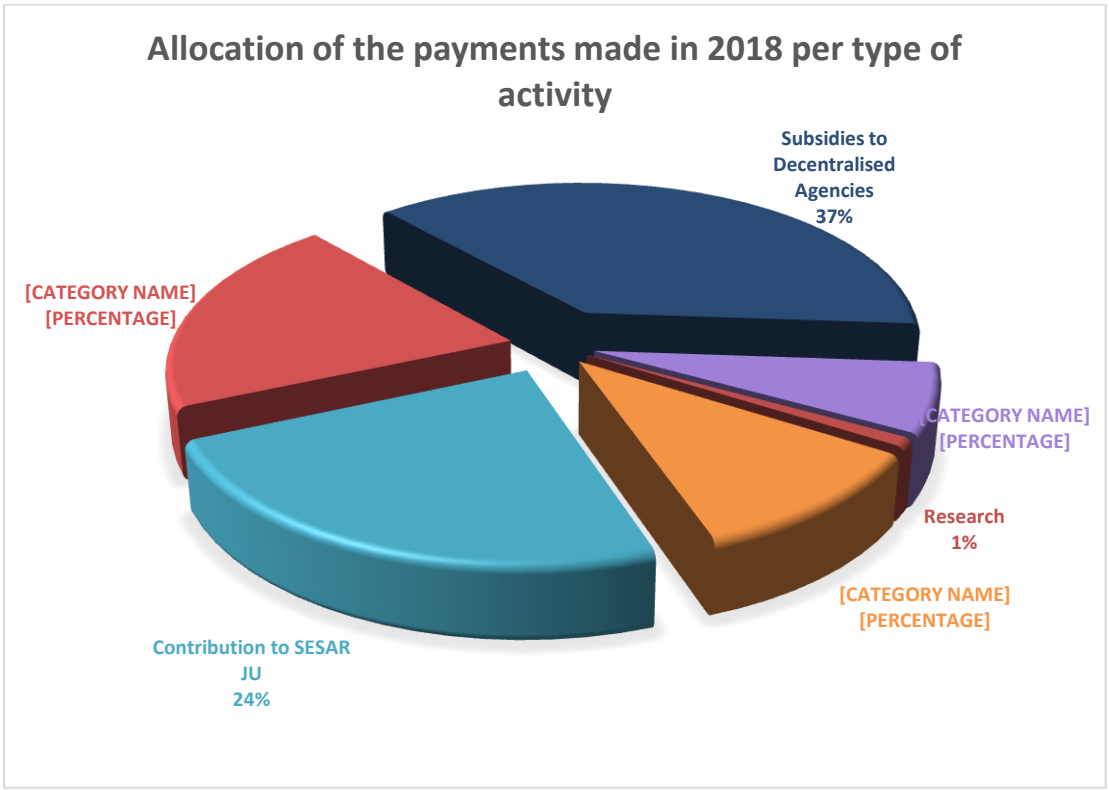

Allocation of the payments made in 2018 per type of activity
Subsidies to Decentralised Agencies 37%
[CATEGORY NAME] [PERCENTAGE]
CATEGORY NAME] [PERCENTAGE]
Research 1%
[CATEGORY NAME] [PERCENTAGE]
Contribution to SESAR JU 24%

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

Risk-types / Activities	Grants / Procurements	Cross-sub-delegations to other DGs	Subsidies / funds to EE (EU Agency, EA, JU) Delegation Agreements with EE	Available ICO indicators	Independent info from IAS /ECA on assurance or on new/overdue critical recommendations available	Reservation	AAR Section
H2020	1 697 402			RER: 2.49%	N	**N**	2.1.1.1.1 A
FP7	217 064			RER: 3.20%	N	**Y**	2.1.1.1.1 A
SES Advisory Bodies	1 396 191			Estimated RER < 2%	N	**N**	2.1.1.1.1 A
Contribution to SESAR JU			91 384 652	Audit / supervision activities	N	**N**	2.1.1.1.1 B
Contribution to S2R JU			77 359 900	Audit / supervision activities	N	**N**	2.1.1.1.1 B
Contribution to INEA			26 670 000	Audit / supervision activities / Mgnt decl.	N	**N**	2.1.1.1.1 B
Subsidies to Decentralised Agencies			144 297 621	Audit / supervision activities	N	**N**	2.1.1.1.1 B
Elena Facility		1 120 000		Audit / supervision activities / Mgnt decl.	N	**N**	2.1.1.1.1 B
Other operational expenditure	33 331 427	303 639		Estimated RER < 2%	N	**N**	(Partly under 2.1.1.1.1 A and 2.1.1.1.1 B)
SESAR Deployment Maanager	4 465 809			Audit / supervision activities / Mgnt decl.	N	**N**	2.1.1.1.1 B
Administrative expenditure	2 168 903			Estimated RER < 2%	N	**N**	(Partly under 2.1.1.1.1 A and 2.1.1.1.1 B)
Totals (coverage)	**43 276 796**	**1 423 639**	**339 712 173**				
AAR Annex 3	**384 412 608**						

The overview table shows that:

- Based on the main indicator results available, overall suitable controls are in place and work as intended;
- The reservation on the Seventh Research Framework Programme (FP7) overpayments is maintained as the residual error rate remains persistently above the 2% materiality threshold defined in Annex 4 'Materiality Criteria';
- No new reservation was considered in this AAR as DG MOVE has reasonable assurance that overall suitable controls are in place and work as intended (taking into account also the multiannual character of the main programmes); the risks are mitigated and/or monitored; improvements and reinforcements are being implemented.

Section 2.1 reports the control results and other relevant elements that support management's assurance. It is structured into (2.1.1) Control results, (2.1.2) Audit observations and recommendations, (2.1.3) Assessment of the effectiveness of the internal control system, and resulting in (2.1.4) Conclusions on the impact as regards assurance. Section 2.1.5 addresses the FP7 reservation.

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 objectives[29]. The DG's assurance building and materiality criteria are outlined in the Annex 4 of the Annual Activity report (AAR). 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 relevant control systems.

As regards the specific reporting requirements stemming from the Financial Regulation[30], in 2018, DG MOVE was involved in one financial framework partnership agreement (FPA) exceeding the four-year duration[31]. The FPA[32] signed in 2014 relates to the SESAR Deployment Alliance. One of the objectives of the SESAR Deployment Alliance is to facilitate and accelerate the deployment of the air traffic management (ATM) under the 2014-2020 financial perspective. Consequently, the duration of the FPA has been aligned with the multi-annual financial framework.

2.1.1.1. Control effectiveness

2.1.1.1.1. Legality and regularity of the transactions

DG MOVE 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.

[29] 1) Effectiveness, efficiency and economy of operations;2) reliability of reporting; 3) safeguarding of assets and information; 4) prevention, detection, correction and follow-up of fraud and irregularities; and 5) 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 36.2). The 2nd and/or 3rd Internal Control Objective(s) (ICO) only when applicable, given the DG's activities.
[30] Regulation (EU, Euratom) 2018/1046 on the financial rules applicable to the general budget of the Union, repealing Regulation (EU, Euratom) No 966/2012 (2012 Financial Regulation).
[31] Article 130.4(c) Financial Regulation.
[32] MOVE/E2-2014-717/SESAR FPA.

Overall amount at risk:

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

For DG MOVE, as displayed in table 2.2 below the estimated overall amount at risk *at payment*[33] for the 2018 payments is EUR 3.57 million. This is the AOD's best, conservative estimation of the amount of *relevant expenditure*[34] during the year (EUR 393.65 million) not in conformity with the applicable contractual and regulatory provisions at the time the payment is made.

This expenditure will be subsequently subject to ex-post controls and a sizeable proportion of the underlying error will be detected and corrected in successive years. The conservatively estimated future corrections[35] for those 2018 payments made are EUR 1.03 million. This is the amount of errors that the DG conservatively estimates to identify and correct from controls that it will implement in successive years.

The difference between those two amounts leads to the estimated overall amount at risk *at closure* for the 2018 payments of EUR 2.55 million.

[33] In order to calculate the weighted average error rate (AER), the detected or equivalent error rates have been used; see note to Column (7) to the table.
[34] "relevant expenditure" during the year = payments made, minus new pre-financing paid out, plus previous pre-financing cleared.
[35] Based on the 7 years historic adjusted average of recovery orders, which is the best available indication of the corrective capacity of the ex-post control systems implemented by the DG over the past years. This percentage is not applicable to pre-financing, administrative expenditure and fund paid to Agencies.

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

Activities	Payments made As per AAR Annex 3, table 2	Minus new prefinancing As per ABAC DWH BO report on prefinancing	Plus cleared prefinancing As per ABAC DWH BO report on prefinancing	Relevant expenditure = (2) - (3) + (4)	Average error rate (%) Detected	 Estimated	Estimated overall amount at risk at payment = (5) x (6)	Average recoveries and corrections (adjusted ARC; %) Based on 7Y-avg adjusted historic recovery orders (as per ABAC DWH BO report on corrective capacity) Not applicable to pre-financing, administrative expenditure and disbursements to Entrusted Entities	Estimated future corrections = (5) x (8)	Estimated overall amount at risk at closure = (7) - (9)
(1)	(2)	(3)	(4)	(5)	(6)		(7)	(8)	(9)	(10)
H2020	1.697.402		1.229.603	2.927.005	3,32%		97.177	0,83%	24.294	72.882
FP7	217.064		6.272.097	6.489.161	5,26%		341.330	2,06%	133.677	207.653
SES Advisory Bodies	1.396.191	874.343	80.000	601.848		0,50%	3.009	0,32%	1.926	1.083
Contribution to SESAR JU (operational)	88.058.228	7.200.000		80.858.228	3,22%		2.603.635	0,67%	541.750	2.061.885
Contribution to SESAR JU (admin)	3.326.424			3.326.424		0,00%	0	0,00%	0	0
Contribution to S2R JU	77.359.900			77.359.900		0,00%	0	0,00%	0	0
Contribution to INEA	26.670.000	26.670.000	24.085.741	24.085.741		0,00%	0	0,00%	0	0
Subsidies to Decentralised Agencies	144.297.621	144.297.620	158.934.228	158.934.229		0,00%	0	0,00%	0	0
Elena Facility	1.120.000			1.120.000		0,50%	5.600	0,32%	3.584	2.016
Other operational expenditure	33.635.066	6.298.518	3.715.426	31.051.974		0,50%	155.260	0,32%	99.366	55.894
SESAR Deployment Manager	4.465.809			4.465.809		7,96%	355.478	4,71%	210.340	145.139
Administrative expenditure	2.168.903		260.040	2.428.943		0,50%	12.145	0,50%	12.145	0
Total	**384.412.608**	**185.340.481**	**194.577.135**	**393.649.262**			**3.573.634**		**1.027.082**	**2.546.552**

Notes:

- Column (3) 'Minus new pre-financing': New PF actually paid out by the DG itself during the FY (i.e. excluding any PF received as transfer from another DG);

- Column (4) 'Plus cleared pre-financing': PF actually having been cleared during the FY, based on accepted invoices (i.e. their 'delta' in FY actuals, not their 'cut-off' based estimated 'consumption');

- Column (5) 'Relevant expenditure': this is a concept that intentionally combines elements from the budgetary accounting and from the general ledger accounting for the purpose of equivalence with the ECA's scope of the EC funds with potential exposure to L&R errors (see the ECA's AR methodological Annex 1.1 point 15);

- Column (6): **The calculated weighted average error rate is 0.74%**

    - For the contribution paid by the DG to the Joint Undertakings signing grant agreements, the guidance provided by DG BUDG was to report their detected error rates. For H2020, there is no multi-annual error rate yet, whether for SESAR JU or S2R JU, due to the early stage of the program lifecycle. However, for the H2020 segment of SESAR's activity, a detected error rate (3.22%) was available and used as the best available estimate.

    - The estimated error rate for administrative expenditure increased from 0.2% to 0.5% between the 2017 AAR and the 2018 AAR to reflect the error rate identified by the Court of Auditors in their 2017 Annual Report (Source: 2018/C 357 - page 311; § 10.14): 'The overall audit evidence indicates that the level of error in spending on 'Administration' was not material. The estimated overall level of error of 0.5%.');

- Column (8): 'Average recoveries and corrections %': **The average, adjusted and weighted average of corrections is 0.26%**

  The seven-year historic average of recovery orders corresponded to 1.6% (as per the standard ABAC DWH BO report on corrective capacity) for DG MOVE. However, the % has been adjusted conservatively to only take into account recoveries from the last seven years with a recovery context type 'irregularity' and 'error'. This % has been further adjusted by deducting certain recoveries of pre-financing, which under today's rules should be considered as being of recovery context type 'none' (instead of 'irregularity'). Also note that this % is not applied to pre-financing, administrative expenditure and to payments made to Agencies, in general not subject to ex-post recoveries. Eventually, this % is the best available indication of the expected corrective capacity of the ex-post control systems implemented by the DG over the past years. It is important to highlight that this overall estimation is not to be confused with the actual corrections, integrated in the DG's calculation of the residual error rate. However, for FP7 payments, the correction rate used in this column corresponds to the difference between the **respective representative error rate** (5.26%) and the **residual error rate** (3.20%). For H2020 payments, the correction rate used in this column corresponds to the difference between the **respective detected error rate** (3.32%) and the DG MOVE specific **residual error rate** (2.49%). A similar logic was applied for the H2020 segment of SESAR's activity, taking into account the SESAR JU specific detected error rate of 3.22% (as per the draft JU's Activity Report for 2018) and the residual error rate 2.55% (as per data provided by DG RTD, which more conservative than the 1.23% residual error rate calculated in the JU's draft 2018 Annual Report).

  Columns (8) and (9): The payments made to the SESAR Deployment Manager in 2018 correspond to the implementation of the third Specific Grant Agreement (SGA). The estimates provided for the error rate and the average corrections are based on the outcome of the audits carried out on first two SGAs and on the resulting recoveries.

Effectiveness as regards legality and regularity of transactions is discussed hereunder, making due consideration for the management mode.

Section A treats controls exerted over the main programmes directly managed by DG MOVE as well as the payments to Single European Sky (SES) Advisory Bodies and the SESAR Deployment Manager, as well as for the cross-subdelegations given to other Commission's services.

Section B outlines controls exerted over the budget entrusted to other entities.

A) Direct management

This section provides details on the control effectiveness for some of the expenditures made under direct management (the research programmes FP7, contracts with SES Advisory Bodies and SESAR Deployment Manager) as well as for the cross-subdelegations given to other Commission's services.

a) The Seventh Framework Programme (FP7)[36]

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

The question of being on track towards these control objectives is to be (re)assessed annually, in view of the results of the implementation of the ex-post audit strategies and taking into account both the frequency and importance of the errors found as well as a cost-benefit analysis of the effort needed to detect and correct them. The objective of transport research under FP7 is to develop safer, greener and smarter pan-European transport systems that will benefit all citizens, respect the environment, and increase the competitiveness of European industries in the global market.

Payments related to FP7 Grants represented 0.06% (i.e. EUR 217 064) of the total payments made in 2018 by DG MOVE.

The control systems are divided into two distinct stages, each with specific control objectives, as detailed in Annex 5. Key indicators have been defined for each stage. In addition, since the evaluation of the calls for proposals and contracting were completed before January 2015, this AAR will only focus on the ex-ante monitoring of the execution of the projects and the ex-post control of payments.

- **Ex-ante monitoring and checks**

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

In addition, every cost claim over EUR 375 000 is accompanied by a certificate on

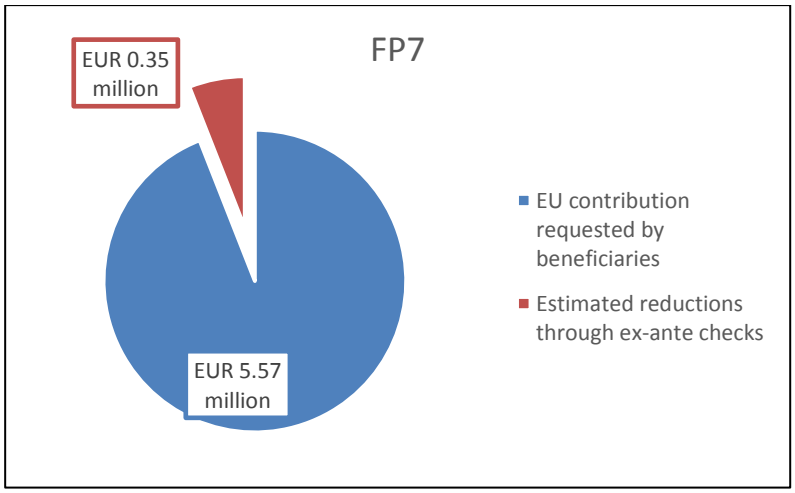
[36] Payments under direct management for H2020 were also made in 2018 for a total of EUR 1.7 million (i.e. 0.44% of the total payments), which is not covered in this AAR due to the limited amount. Moreover, the remaining projects of this type were transferred to INEA in 2018.

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

Control effectiveness:

The chart below shows the reductions made to the EU contribution claimed by grant beneficiaries as a result of ex-ante checks. These checks have prevented the payment of around EUR 0.35 million, representing 6.3% of the requested EU contribution. The main errors detected in cost claims concern inconsistencies between the information supplied by grant beneficiaries (amount of costs, methods of calculation, periods, etc.) and that included in the audit certificate; audit certificates that are incomplete or missing, or not provided by a qualified auditor; arithmetical errors; and costs incurred outside the eligibility period or costs not covered by the legal basis.

Effectiveness of ex-ante checks: reductions to the requested EU contribution[37]



- **Ex-post controls and recoveries**

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

↳ **Common ex-post audit strategy of the Research Directorates General**

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

[37] Audit results implementation and budget capping not included.

Since 2012, a Common Representative audit Sample (CRS) has been introduced across the research family to reduce the audit burden on beneficiaries by reducing the number of repeat audits whilst continuing to provide a representative view of the implementation of the Research Framework Programmes (FP). The CRS provides an estimate, via a representative sample of cost claims across the Research Family, the overall level of error in the Research FP, across all services involved in their management. All these grants follow the same homogeneous overall control system set out in this report.

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

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

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

- **Representative Error Rate**: This is the error rate derived solely from the results of CRS, extrapolated to the overall populations and calculated for each FP as a whole. This error rate provides an estimate of the level of error in a given framework programme at the time of the audits, but it does not factor in the follow-up and corrections/recoveries undertaken by the Commission services after the audit, nor does it provide information on the net final financial impact of errors.

- **Residual Error Rate**: The residual error rate, on a multi-annual basis, is the extrapolated level of error remaining after corrections/recoveries undertaken by Commission services following the audits that have been made. The calculation of the residual error rate, as shown in Annex 4, is based on the following assumptions:

  (1) all errors detected will be corrected;

  (2) all non-audited expenditure of audited beneficiaries is clean from systematic material errors so that the residual error rate in this expenditure can be estimated to be equal to the non-systematic part of the representative error rate (for the expenditure subject to extension of audit findings this is only assumed when the respective extension procedures have been closed).

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

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

↳ Results of FP7 ex-post audits

In the case of FP7, the year 2018 was the tenth year of implementation of the audit strategy. The audit work was almost completed in 2018, with only three

audit remaining open from the last Common Representative Sample. Against this background, a wrap-up of the FP7 audit campaign is made below, and FP7 audits will no longer be covered in detail in future AARs.

The Directorates-General involved in research as a whole had a target of 4 520 audit results covering 64.7% of FP7 expenditure completed by the end of 2018, thus exceeding the original target by 11%.

The percentage of FP7 expenditure covered by the audits (64.7%) refers to the value of the participations of the audited beneficiaries. It includes both the fully audited participations (8.5%), also referred to as the 'direct' coverage, and the non-audited participations which nevertheless, after the full treatment of audit results, are clean from systematic errors (56.2%), also referred to as the 'indirect' coverage.

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

Table 2.3 – FP7 audit coverage

	Planned cumulative period	Achieved cumulative period	Planned in 2018	Achieved in 2018[38]
Number of closed audits	164	166	0	1
Total amount audited (EC share EUR)	n.a.	53 881 070	n.a.	339 060

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

- **Common[39] Representative Error Rate (RepER)**: Based on 477 cost statements for which the audit is completed (98% out of a sample of 486), this error rate is **5.26%**. The remaining cases are still subject to contradictory procedures with the beneficiaries; consequently, the Common Representative Error Rate may still develop.
- **Residual Error Rate (RER):** At this point in time, this error rate amounts to **3.20%.** As it is above the materiality threshold of 2%, **DG MOVE maintains the reservation for FP7**[40]. It also has to be noted that the RER may still vary following the development of the Common Representative Error rate.

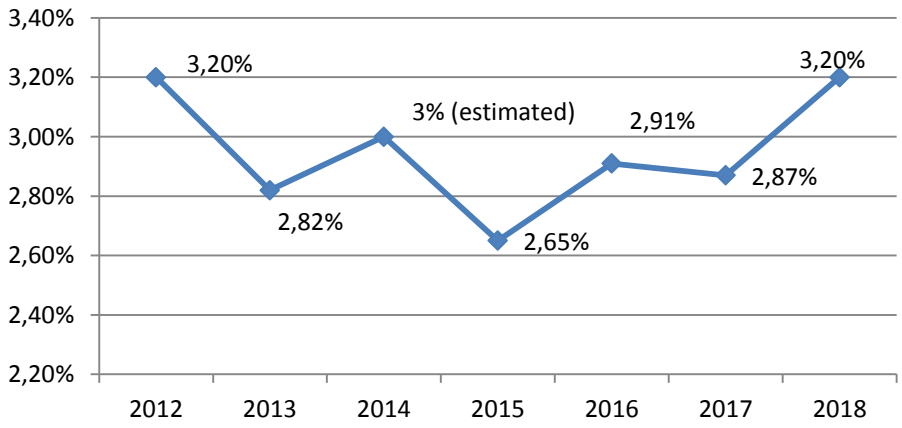
[38] An audit is considered finalised when the final audit report is sent to the Financial Management Unit for implementation.
[39] i.e. for the Research family.
[40] Developed in section 2.1.5.

Table 2.4 – Calculation of the FP7 residual error rate

R&I Family level Representative Error Rate: RepER%:	–5.26%
R&I Family level systemic share of the RER: RepERsys%:	–2.64%
Total EU contribution (P)	EUR 226 986 979
Total amount audited (EC share in EUR) (A)	EUR 53 881 070
Total non-audited participations of audited beneficiaries (E)[41]	EUR 69 519 130
Residual error rate[42]:	**–3.20%**

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

DG MOVE FP7 RER: evolution over time



Conclusions on the ex-post audits and the error rates of FP7

The audit strategy has been fully implemented. The Common Representative Error Rate for FP7, calculated on a multi-annual basis, is a bit above 5%. The residual error rate is 3.20% for DG MOVE.

With only three audits ongoing, it can be assumed that the final Residual Error Rate will be around 3.3%. These results are in line with the conclusions expressed in the AARs over the years.

These amounts do not necessarily mean that there is a loss to the Community

[41] This amount excludes EU contribution of beneficiaries with ongoing extrapolation cases.

[42] Residual Error rate: $ResER\% = \frac{(RepER\% \; x \; (P-A)) - (RepERsys\% \; x \; E)}{P}$

budget. Many of the projects spend more than the capped budget, and so the real loss to the Community budget will be lower than when estimating the financial impact by using the error rates above.

The reservation in the declaration of assurance for the FP7 expenditure is addressed in Section 2.1.5.

DG MOVE participated, throughout the course of the programme, to the common continuous effort to mitigate the risk of error in FP7 expenditure. This effort included actions regarding simplification, communication, improvement of ex-ante controls, ex-post audit coverage together with the recovery of overpayments and the extrapolation of systemic errors to unaudited cost claims of the same beneficiaries in terms.

However, it is clear that the 2% residual error target for FP7 will not be attained. Nevertheless, the lessons learned from FP7 audits have been used in the development of Horizon 2020 programme's general framework.

Implementation of audit results

In total over the period 2010-2018, the results of the FP7 audits relate to 203 participations, out of which two are not yet implemented as it concerns a dissolved company in Greece. From the remaining 201 participations for which the results have been implemented, 97 are in favour of the EC (48.3%), 69 in favour of the beneficiary (34.3%) and 35 resulting in 'zero' adjustments (17.4%).

The table 2.5 below provides an overview of the adjustments in favour of the Commission. By the end of 2018, the adjustments concern 99 participations, corresponding to EUR 3.74 million in favour of the Commission. Out of the 99 participations with an audit adjustment in favour of the EC, 97 of these, representing 99% of the adjustments have already been implemented for EUR 3.38 million and two were in the contradictory procedure with the beneficiary (as indicated above). About 64% of the number of adjustments implemented were recovered through offsetting from subsequent payments corresponding to an amount of EUR 1.2 million. The remaining adjustments were implemented through recovery orders for EUR 2.1 million.

Table 2.5 – Implementation of FP7 ex-post audit results in favour of the EC (2010-2018)

Results from external audits		Adjustments in contradictory procedure		Adjustments implemented	
Number	Funding adjustment (EUR)	Number	Funding adjustment (EUR)	Number	Funding adjustment (EUR)
99	- 3 737 357	2	- 354 516	97	-3 382 841

Implementation of extrapolated audit results

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

As can be seen from table 2.6, by the end of 2018, 118 such participations were found and the beneficiaries were asked to rectify the errors in DG MOVE projects and submit revised cost statements. On this basis, 57 participations were judged to be concerned by the systematic errors identified by DG MOVE or any of the other DGs. Systematic errors have been corrected for 36 participations, of which two in favour of the beneficiaries.

The Commission closely monitors the implementation of extrapolation cases. It has to be noted that it is not unexpected to have open cases at this stage, as there might be 18 months before new declarations are received from beneficiaries.

Table 2.6 – Implementation of extrapolation of FP7 audit results (2010-2018)

Number of participations with expected systematic errors	Number of participations without systematic errors	Implemented cases				
		In favour of EC		In favour beneficiary		Number of participations to be implemented[43]
		Number	Value (EUR)	Number	Value (EUR)	
118	61	34	–429 497	2	1 327	21

Taking tables 2.5 and 2.6 together shows that, by the end of 2018, EUR 3.81 million were recovered following ex-post audits of FP7 projects.

Liquidated damages

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

By the end of 2018 DG MOVE identified liquidated damages for 63 cases under FP7:

- Debit notes were already issued for 52 cases for a total amount of EUR 474 714;
- For two cases the identified liquidated damages will probably be cancelled as it concerns a dissolved company;
- In nine other cases, the amounts due were below the threshold of EUR 200, so they did not have to be recovered.

b) The SESAR Deployment Manager

The SESAR project is part of an innovation cycle that brings innovative air traffic management (ATM) concepts from their definition, through their development and validation to their deployment into the operational environment. In this cycle, the essential SESAR solutions developed and validated by the SESAR Joint Undertaking are then deployed as 'common projects' through the SESAR deployment framework.

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

The Commission is assisted by the SESAR Deployment Manager (SDM)[44], a body that pursues the synchronised and timely deployment of common projects.

The SESAR Deployment Alliance consortium (SDA), which comprises 19 partners, including major European air navigation service providers, airlines and airports, was selected to fulfil the tasks[45] of Deployment Manager.

The setup and the action plan of SDA consortium were defined in a framework partnership agreement signed with the Commission in December 2014. SDA performs two types of tasks: as deployment manager, mainly translating common projects into a detailed deployment programme and ensuring its implementation and monitoring; and as a coordinator of the projects.

These 'implementation projects' are funded under the CEF programme and are selected through calls for proposals launched by INEA, who also manages the related specific grant agreements.

The Commission supports financially the work of SDA as deployment manager through specific grant agreements as Programme Support Actions under the 2014-2020 CEF multi-annual work programme. Each specific agreement defines the detailed work programme, cost estimation, deliverables and reporting requirements for the period covered by the agreement.

In 2018, payments made to the SDA amounted to EUR 4.47 million.

DG MOVE supervises and monitors the work of SDA through these deliverables and reporting mechanisms, through periodic management meetings with the SDA management team, bilateral meetings with its managing director and through on-the-spot visits to projects coordinated by SDA. Financial checks are carried out in accordance with the established financial circuits.

In 2017, DG MOVE had observed eligibility issues resulting from the difficulties in setting up the consortium and from its complex structure. Corrections in 2018 amounted to EUR 0.12 million, mainly resulting from errors in the interpretation of eligibility rules applicable to subcontractors. Seventeen audits were finalised to date, resulting in cumulated adjustments of EUR 0.946 million. In total EUR 0.63 million were recovered. Four of the audit results are still under implementation, corresponding to EUR 0.25 million[46] of additional audit corrections.

DG MOVE further pursued its audit campaign, through which payments made to major[47] partners against the SDM specific grant agreements were systematically audited. On 31 December 2018, the audits finalised or to be finalised in the first quarter of 2019 cover 85% of the expenditure related to the first two specific grant agreements. This approach will be maintained in the coming years. The ongoing and planned audits for 2019 are expected to further extend the coverage to include the third specific grant agreement and to ensure an appropriate mitigation of the observed errors. On a longer perspective, the coverage of major partners should approach 100%. At this stage, it remains difficult to calculate a representative residual error rate as this concerns a single framework partnership agreement of which only the first and part of the second specific grant agreements

[44] Commission Implementing Regulation (EU) N°409/2013.
[45] Article 9 of Regulation (EU) 409/2013.
[46] These audits include both adjustments in favour of the beneficiary and in favour of the Commission. The amounts mentioned correspond to the balance of these adjustments.
[47] The consortium includes some minority partners for which cost claimed are too limited to justify a specific audit.

were audited.

The amount at risk was estimated by extrapolating the errors observed in the audits carried out to the current expenditure and taking into account the level of recovery. It represents EUR 0.145 million or 0.4% of the total of DG MOVE's relevant expenditure for the year.

A close monitoring of SDA's activities and cooperation with its management team have led to the implementation of the necessary remedies and the constant improvement in the transparency of its financial management and ultimately of its performance. To further improve its functioning and simplify SDA's setup and based on the lessons learnt, as of January 2018, the consortium transformed itself into a single legal entity. The financial aspects of SDA's work and the reporting requirements are also better defined in the current specific grant agreements. A preventive audit of SDA's systems and processes is being carried out in Q1 2019 with a view to further strengthen these corrective measures.

The assurance drawn in this respect stems from the implementation reports received from SDA and from the comprehensive ex-post coverage. The amount of corrections is significant in respect of payments made but limited in scope as it concerns a single grant agreement. All significant cost statements will be audited to ensure a level of correction as comprehensive as possible. The implementation of the adjustments limits the effective residual exposure as regards EU funds and this translates into a limited contribution to DG MOVE's overall amount at risk at closure. Corrective actions were undertaken at beneficiary level to solve the underlying issues. The structure is now simpler and thus less exposed to future errors[48]. The costs declared under this framework partnership agreement are closely monitored through an extensive audit coverage. This allows DG MOVE to consider that there should not be any significant undetected errors and to build the necessary degree of assurance as regards the legality and regularity of the payments made to the SDM.

c) Single European Sky (SES) Advisory Bodies

The SES initiative establishes a regulatory framework that includes common binding rules on Air Traffic Management (ATM) safety, on ATM services, on airspace management and on interoperability. That framework includes a technological pillar, 'SESAR project' (Single European Sky ATM Research) that is managed through the eponymous Joint Undertaking[49]. The 2009 revision of the regulations introduced a performance scheme, a revised charging scheme and the requirements for functional airspace blocks. It also created support bodies to the SES: the Network Manager[50] (NM) that performs the design of the European Route Network and the coordination of air traffic resources and the Performance Review Body (PRB)[51] that assists the Commission in the implementation of the SES performance and charging schemes.

Before 2017, both bodies were operated by Eurocontrol, an intergovernmental organisation with which the Commission cooperates since 2003 under the Cooperation Agreement related to support the implementation of the SES.

Eurocontrol was nominated[52] as the Network Manager for the Single European Sky

[48] It should be noted however that the audits performed in 2018 and to be performed in 2019 still partly costs related to the years 2016-2017, that were made under the previous structure.
[49] See section 2.1.1.1.1.B (4).
[50] Commission Regulation (EU) No 677/2011
[51] Commission Implementing Regulation (EU) No 390/2013
[52] Commission Decision on 7 July 2011 (C(2011) 4130 final)

until end 2019. It addresses performance issues strategically, operationally and technically. Its overarching mission is to contribute to the delivery of the ATM's performance in the pan-European network in the areas of safety, capacity, environment/flight efficiency and cost-effectiveness. The European ATM network includes all the European Union's 28 and Eurocontrol's 41 Member States, as well as other states that have concluded bilateral agreements with the NM.

Since 2017, the PRB is made-up of nominated members. The members of the PRB were selected through an open call for applications and signed expert contracts for a maximum of EUR 72,000, aiming at providing assistance to the Commission for the implementation of the SES performance and charging schemes. The support to the PRB is managed through a framework contract[53] with a private consortium as well as a service contract with Eurocontrol. The consortium provides the analytical and secretarial support to the PRB. Eurocontrol collects, validates, disseminates and pre-analyses performance-related data for the Commission. The European Aviation Safety Agency (EASA) deals with the safety data.

The selection and appointment of the PRB members occurred pursuant to Implementing Decision (EU) 2016/2296. The selection was made through an open call for applications, under expert contracts, aiming at providing assistance to the Commission to the implementation of SES performance and charging schemes. The decision underwent a consultation of Member States. The appointment was published in the Official Journal of the EU. The remuneration of the PRB chair was settled through a service contract. This contact was extended in 2018.

In 2018, payments made in this respect totalled EUR 1.4 million compared to 8 million in 2017. This decrease is linked the change of mechanism that had occurred in 2017.

The control activities performed with respect to the PRB and the Network Manager in 2018 included the following:

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

In addition, performance monitoring results undergo a validation with the Member States.

These support actions are implemented through service contracts and are considered as low risk regarding legality and regularity. Moreover, the individual amounts are relatively limited. No ex-post audits are performed as the costs of such controls would exceed the potential benefits.

Assurance is drawn in this respect from the performance of the ex-ante controls, from the absence of issues at this level, from a positive assessment of the performance of the support bodies and from the effective delivery of the services

[53] The first specific contract, signed on 16 October 2017, was concluded for a period of 15 months.

and their compliance with the regulatory framework and with the contractual provisions.

The error rate is estimated along the same line as administrative expenditure, at 0.5%, and aligned with the error rate identified in this respect by the Court of Auditors in their 2017 Annual Report.

d) Cross sub-delegations

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

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

In 2017, DG MOVE gave cross sub-delegations to DGs ECFIN, ENER and ESTAT, for the following amounts and purposes:

- **To DG ECFIN:** EUR 12.56 million of commitment appropriations for the **Marguerite Fund** were still outstanding by end 2017, of which no payments were made in 2018. The outstanding existing funding commitments will be disbursed by the end of 2020 (for signed transactions Rosace, Greek Regional Airports and IRIDEOS[54]).

  To DG ECFIN: ELENA (European Local Energy Assistance) facility is managed by DG ECFIN on the basis of cross delegation agreements given by DG ENER and DG MOVE.

ELENA provides Project Development Assistance (PDA) grants to help project promoters develop, structure and launch investment projects/programmes in the fields of energy efficiency, distributed renewables and clean urban transport. ELENA co-finances eligible project development costs such as those related to investment-specific energy audits, feasibility studies, legal, economical, financial and technical development of investments, preparation and launch of tendering procedures, contracting and financial structuring.

Use of budgetary resources

In the period 2014-2020, further budget has been allocated to ELENA under Horizon 2020 by DG ENER and DG MOVE. The additional allocation under H2020 and the increased budget brought important changes in the facility and ELENA now focuses more on the innovative aspects of energy efficiency, renewable energy and sustainable transport projects. Moreover, private entities are now eligible beneficiaries of ELENA grants. In 2018, the eligibility of investment programmes supported by ELENA was extended to residential buildings.

Concerning **ELENA Facility**, EUR 3.15 million were committed in 2016 and EUR 9.92 million were committed in 2017 for achieving a resource-efficient,

[54] Formerly 2i Fiber.

environmentally friendly, safe and seamless European transport system of which EUR 1.12 million of payments were made in 2018 corresponding to new pre-financings

In addition, one new commitment by DG MOVE was validated in 2018 for the amount of EUR 5 million: for a new ELENA Contribution Agreement for year 2018[55], for which no payment was made in 2018.

Implementation

Since 2014, EIB is fully in charge of delivering ELENA. DG ECFIN is responsible for monitoring the management of the instrument. DG ECFIN regularly reports to DG MOVE on the basis of a cross-delegation agreement.

The on-going ELENA agreements with the entrusted entities are under implementation. A few agreements were not implemented, because the entrusted entities did not allocate the available ELENA funds to any project within the contracting deadline set in the agreements.

95 projects were approved for ELENA support for a total of EUR 165.8 million. Out of these projects, 29 projects are successfully completed, 58 projects are under implementation and eight are in the grant agreement signature phase. The implementation of these projects makes use of the funds allocated under the 2009-2013 and 2017 co-delegations and of the funds made available directly to the EIB by DG ENER and DG MOVE.

DG ECFIN carried out four monitoring visits during the year. As a result of the last monitoring visit in October 2018, one project was withdrawn.

Lastly, together with DG ECFIN and DG ENER, DG MOVE has organised in November 2018 an ELENA steering Committee meeting with the EIB, as well as a technical meeting in June 2018. These meetings aimed at reviewing the progress of the facility (state of play, gaps and necessary corrective actions) and preparing the forthcoming activities in the framework of the Horizon 2020 WPs 2018-2020.

- **To EUROSTAT:** EUR 349 591 were committed in 2016 for support activities to the European transport policy and passenger rights of which EUR 208 639 were consumed and EUR 34 234 was de-committed in 2018.

- **To DG ENER:** EUR 237 499 were committed in 2016 for the coordination of the renewable fuel stakeholders strategy in the field of aviation out of which EUR 95 000 were paid in 2018. The remaining amount will be paid in 2019 and 2020.

In 2018, DG MOVE did not identify any events, issues or problems in relation to cross sub-delegations that could have a material impact on assurance.

B) Indirect Management and Direct Management through other services

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

[55] For appropriations accruing from contributions from (non-European Economic Area) third parties to research and technological development (2014 to 2020)

Commission DGs and entrusted entities distinct from the Commission, i.e.:

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

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

1) Co-delegations

The Commission may delegate powers concerning a given budget line to one or more authorising officers by delegation, i.e. various AODs are responsible for the same item of expenditure, but each one for a specific type of transaction. For DG MOVE, this is the case with PMO, HR and OP. Being Commission services themselves, these DGs are required to implement the appropriations subject to the same rules, responsibilities and accountability arrangements as DG MOVE. In 2018, payments amounting to EUR 9.86 million were made through co-delegations.

2) INEA

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

The current mandate of INEA covers the former TEN-T Executive Agency which was responsible for implementing the TEN-T Programme and the TEN-T projects from the 2000-2006 and 2007-2013 financial perspectives. Thanks to a mandate, approved on 23 December 2013[56], the Agency became the Innovation and Networks Executive Agency as from 1 January 2014 and its lifetime has been extended to 31 December 2024.

The Commission has delegated to INEA the task of executing the operational budget and performing tasks linked to the implementation of its delegated Union programmes in the field of transport, energy and telecommunications infrastructure – CEF (Connecting Europe Facility programme), and in the field of transport and energy research and innovation - H2020. The Agency implements, in the framework of CEF, the SESAR related trans-European air traffic management (ATM) network projects. In addition, the Agency is also managing the legacies of the TEN-T and Marco Polo programmes.

In 2018, DG MOVE contributed EUR 26.67 million to the Agency's running costs. In its 2018 AAR, INEA has duly justified the use of the subsidy and any unused appropriations will be recovered by the parent DGs.

Supervision arrangements

The Commission Decision establishing INEA and the Commission Decision delegating powers to INEA and appointing the members of the Steering Committee set out the governance and supervision arrangements. These are complemented

[56] Commission Implementing Decision 2013/801/EU.

by a specific Memorandum of Understanding (last updated in July 2018 notably to take on board the delegation of Wifi4EU[57] to INEA) signed between the Parent DGs and INEA that contains reporting and supervision provisions and consists of a two-layer document:

- A top layer aiming to harmonise the modalities and procedures of the interaction between the parent DGs and INEA and that includes amongst other:
    - the membership to the Steering Committee, chaired by the Director General of DG MOVE and meeting at least four times a year to ensure that the work of the Agency is in line with the its Annual Work Programme;
    - the preparation of the Agency's annual budget;
    - the definition of objectives and priorities in the Annual Work Programme of INEA (approved by the Commission);
    - the requirement for INEA to report regularly on the performance of tasks (using the main Key Performance Indicators from INEA's Annual Work Programme), through;
        - Interim reporting (usually the first six months of the year);
        - The Annual Activity Reports;
    - the establishment of security related procedures and processes, including Business Continuity Planning;
- A middle layer, with specific provisions for the implementation of H2020 (updated on 15 February 2016) and CEF (dating from 1 October 2014).

Within this context, meetings and exchanges of information between the parent DGs with INEA on Horizon 2020 and CEF as well as coordination meetings between INEA and the relevant units in DG MOVE on H2020 and CEF take place regularly. DG MOVE also attends the Management meetings of INEA and vice-versa. The regular meetings and contacts between DG MOVE and INEA, as well as the regular provision of implementation information by the Agency allow for a close supervision of the Agency.

In 2018, regular meetings between parent Directorates General, including DG MOVE, and INEA on management, control and audit further expanded this middle layer. These meetings ensure a timely exchange of information on the assurance and supervision matters, and reinforce the coordination on common issues.

Additional sources of assurance

According to the draft Annual Activity Report of the Agency, all the KPIs have met their target and, in particular, the residual error rates are below 2% for the TEN-T and Marco Polo programmes managed by INEA. For the Horizon 2020 Transport programme, the residual error rate is calculated at 2.45%[58]. Besides, the Agency Director, in his capacity as AOD, has signed the declaration of assurance without reservations.

The audits of the Internal Audit Service and of the European Court of Auditors provide additional elements of assurance.

- The Internal Audit Service (IAS):

[57] The new Wifi4EU initiative under the CEF Telecommunications programme was delegated to INEA as of 1 May 2018. The delegation came from DG CNECT.
[58] For Horizon 2020, the error rate is established within the range of 2%-5%.

- An audit on "Grants management: project management and payments for H2020 in INEA" was launched in January 2018. The audit assessed the effectiveness of INEA's processes and procedures for project management and payments, as well as the legality and regularity of the underlying transactions. The final audit report, issued by the IAS on 20 December 2018, was favourable, resulting in a single recommendation (rated as "important") on the mitigation of plagiarism risk. An Action Plan was communicated to the IAS on 18 January 2019 and accepted by the IAS.

- INEA has fully implemented the action plan stemming from the audit on "Grant Management: Project Management and Payments for CEF in INEA". By the end of 2018, the measures proposed by INEA to address such recommendation were all implemented. They are currently pending the IAS review.

- In 2017, INEA was subject to an audit on 'HR Management Strategy in INEA'. The final audit report was issued by the IAS on 23 January 2018. It contains three identified strengths (strong control environment, a comprehensive and coherent multi-annual HR resources strategy and a service-oriented approach by the HR team) and two important recommendations (one related to HR monitoring and reporting and one on workload indicators). The first recommendation was implemented in 2018. The second one is due during the first trimester of 2019.

As to the state of play of outstanding open audit recommendations, INEA has currently no outstanding pending issues.

- The Court of Auditors (ECA):

  - In its yearly audit, ECA found the 2017 annual accounts presented fairly, in all material respects, the financial position of the Agency, the results of its operations, its cash flows, and the changes in net assets. The Court made one observation related to the non-introduction of e-procurement, to which the Agency provided reply and justification confirming that the issue is addressed[59] while underlining that the use of e-tendering and e-submission was not introduced as it does not concern the Agency. The procurement activities are implemented only through the use of low value contracts or existing Framework contracts managed by the European Commission services.

  - INEA was the subject of one of the recommendations of the ECA's annual report for the year 2017, concerning the improvement of the guidance given on cost eligibility under CEF. The recommendation was implemented in January 2019 through the publication of revised guidelines.

INEA has currently no outstanding pending audit recommendations.

[59] E-invoicing has been introduced for certain procedures.

Conclusion

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

3) EIB for CEF Debt instruments

DG MOVE uses innovative financial instruments for leveraging[60] EU investment and attracting new sources of funding for TEN-T infrastructure projects. The European Investment Bank (EIB) was entrusted with the implementing tasks concerning the financial instruments (debt) under the Connecting Europe Facility Regulation (EU) 1316/2013.

In 2015 the Delegation Agreement[61] for the Connecting Europe Facility Debt Instrument (CEF DI) was signed by the Commission and the EIB. This new agreement defined that as of January 2016 the projects in the portfolios of LGTT[62] and PBI[63] pilot phase are merged with the CEF DI.

The Green Shipping Guarantee Programme (GSGP) was set up in 2016. The GSGP Pilot programme allows the maritime sector to have improved access to financing through a guarantee supported by CEF and EFSI[64]. The programme can provide support to up to EUR 750 million of EIB loans: up to EUR 250 million originating from the CEF DI, backed by up to EUR 62 million of CEF contribution, and up to EUR 500 million from EFSI. The programme is managed by the EIB, which shares risk on maritime financing with financial intermediaries, located in the countries where the environmental standards are more stringent, identified as priorities for the Pilot phase: France and the Netherlands. Under the CEF DI EUR 37.5 million had been paid end of 2016.The first transaction was signed in September 2017 for the order of an LNG-powered ferry. Another transaction for EUR 10.1 million under CEF DI was signed in December 2018 to finance the construction of three fuel-efficient vessels. In October 2018, the CEF DI Steering Committee approved a pipeline of five transactions for a CEF contribution of 24.2 million – one signed in 2018 and four, subject to eligibility check, in 2019.

Governance and supervision arrangements

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

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[60] The EC contribution contributes to cover present or future first losses on a portfolio of operations. The amount of the contribution is invested in an asset portfolio and serves as a collateral for the loans supporting the investments.

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

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

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

[64] European Fund for Strategic Investments.

Two joint Steering Committee meetings between the CEF DGs (DG MOVE, DG ENER, DG CNECT and DG ECFIN) and the EIB took place on 13 June and 24 October 2018 where the pipeline of projects, the revision to the CEF DI Delegation, Agreement review of the annual CEF DI risk and financial reports were discussed. Regular contacts take place with the EIB on the state of advancement of specific projects. Such discussion cover in particular projects to support the development of alternative fuel infrastructure and fleet.

DG ECFIN carries out the horizontal task of asset management supervision of the EIB by overseeing the investments made by EIB on the CEF portfolio with regard to investment standards and guidelines set out in the CEF DI Delegation Agreement. DG ECFIN also organises an annual review of the asset management with the operational DGs.

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

During 2018, important efforts have been attributed to the draft of the amended Delegation Agreement between the European Commission and the EIB. This amendment will allow, inter-alia, the implementation of funds stemming from the NER300 Programme to roll out renewable transport technologies. Furthermore, it will respond to one of the most important recommendations identified by the ECA in the framework of the performance audit SR 09/2018 on the Public Private Partnership, on the complementarity between CEF Debt Instrument and EFSI, and refocus the CEF DI on support for green and innovative investments. The amendment of the Delegation Agreement is currently under discussion with the central services. The consultation process started in December 2018 and is still ongoing.

Managing risk exposure

The facility's treasury portfolio is exposed to credit, liquidity and market risks. The mandate of the EIB includes the management of these risks. Asset management guidelines define the eligibility criteria, the maximum maturity, the interest rate risk and credit risk exposure rules. A quarterly reporting on performance provides the necessary information to the Commission.

The Asset portfolio generated a positive economic result. DG MOVE’s share in this economic result, as reported by the audited financial statements, amounted to EUR 8.08 million.

Table 2.7: Economic result of the CEF Debt Instrument

DG MOVE share of results in portfolio	2018 (in EUR thousand)
Remuneration received for guarantee given	6322
Other operational and financial revenue	-30
Fees paid to EIB	–1708

Net portfolio income	3646
Realised losses	–147

Economic result	**8083**

Source: Audited financial statements. Amounts rounded to the closest thousand

During 2018, the EIB returned accrued revenues to the Commission for a total of EUR 18.53 million. DG MOVE's share in the net assets of the funds at year end was EUR 477.45 million.

The underlying debt portfolio is, by nature, exposed to creditor risk that is covered by the FLP mechanism. The losses realised on sale of bonds and redemption of investments amounted to EUR 0.147 million in 2018. These losses are not significant compared to the financial and operational revenue received from the instrument.

The EIB deploys specific fraud prevention and detection processes and reports directly to OLAF. In 2018, the EIB's Inspectorate General reported no fraud case related to CEF operations.

Assurance received

The EIB provided its financial statements and management declaration on 15 February 2019. The declaration covers the EU funds engaged in the current financial instruments and the audited statements for 2018. The EIB gave reasonable assurance that:

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

The statutory audit performed on the financial statements concluded that these were prepared in all material aspects in accordance with the applicable rules.

In its final report on the validation of local systems 'Reflows from financial instruments' in which the CEF DI was included, DG BUDG had issued one very important recommendation which related to the necessity for DG MOVE to monitor the completeness of the registration reflows[65]. The recommendation was implemented, in cooperation with DG ECFIN, in the framework of the above-mentioned return of accrued revenue.

As a result of the regular reporting provided by the EIB, the management declaration and audited financial statements[66] and the regular contacts with the

[65] Revenues generated by the instrument.

[66] The amounts mentioned in this section are based on the notes attached to the audited financial statements. However, the share in the economic result booked by DG MOVE in its accounts (Annex 3) is based on updated figures as received from EIB in a separate communication and slightly differs from

EIB, DG ECFIN and DG BUDG, DG MOVE has an appropriate overview of the state of implementation of TEN-T projects supported by the financial instruments.

Conclusion

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

4) Joint Undertakings (JU)[67]: SESAR JU and S2R JU

DG MOVE is responsible for the SESAR Joint Undertaking, a public-private partnership developing operational and technical improvements for the modernisation of the European and global air traffic management system. The current mandate of the SESAR JU was extended for the period up to 31 December 2024.

DG MOVE is also responsible for the Shift2Rail Joint Undertaking (S2R JU), established under Horizon 2020, whose objective is to provide a platform for pooling together and better coordinating research and innovation efforts in the rail sector. The overall duration of the delegation is foreseen until 31 December 2024. DG MOVE plays a key role in the monitoring of the JUs and relies on the JUs to achieve their policy objectives. DG MOVE is a member of the Administrative Board (SESAR JU)/Governing Board (S2R JU).

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

On 4 December 2017, DG MOVE adopted a strategy on the DG's relations with decentralised agencies and JU's which encompasses governance, core businesses as well as management and financial issues. The overarching objective is to ensure that the necessary processes are put in place. It aims at helping to clarify roles and responsibilities, coordinate internally (risks, responsible actors, business continuity and avoid duplication of work), EU added value, aligning JUs with key EU political priorities as well.

The supervision strategy is implemented through a regular follow-up of the Joint Undertaking's businesses, management and financial issues. Risk profile is established for each entity. These elements have been regularly updated in 2018 and closely followed by Senior Management with regard to the higher level risks.

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

After concluding in 2016 a second delegation agreement, the Commission and the SESAR JU have concluded two more delegation agreements in 2017. One

the data presented in Note 16 of the audited 2018 financial statements. This difference is however not material and has no impact on the assurance. Moreover, the consolidated amounts at Commission level were not affected by this error. The updated figures are therefore considered correct and the EIB confirmed that Note 16 will be restated in the Financial Statements of the year 2019.

[67] Ex-Article 185 initiatives – Article 70 of the Financial Regulation.

concerned another EP Pilot Project related to the redesign of the EU airspace architecture. The second one concerned demonstrations of U-space (drones traffic management system) services. All of these delegation agreements resulted in concrete activities carried out by the SESAR JU. The work on the airspace architecture study was completed and a report is due in early 2019. Under the drones-related delegations, grants were awarded in 2018 and thus seven drones demonstrations projects related to geo-fencing and drones traffic managements systems were launched.

In 2018, DG MOVE made contributions of EUR 91.4 million to the SESAR JU.

Supervision

The governance and supervision requirements are defined in the SESAR JU Founding Regulation[68] and in the General Agreement, which establishes detailed requirements in terms of financial and technical reporting and working arrangements.

The Commission, represented by DG MOVE, supervises the SESAR JU through its participation in the Administrative Board, the main governance body, and through specific arrangements. The Commission is a member of and chairs the SESAR JU Administrative Board. It therefore participates directly (in many cases with an effective veto right) in all the decisions affecting the budget, accounts, staff and progress of the JU. Relevant documents are evaluated by DG MOVE's unit in charge of the Single European Sky, in cooperation with several other Commission services, in order to establish the Commission's position in the Board.

Furthermore, DG MOVE and the SESAR JU meet regularly to discuss the progress of the technical programme. A representative of DG MOVE also participates in the Programme Committee chaired by the JU's Executive Director. Staff from the unit in charge of the Single European Sky regularly participates in working groups and evaluations (calls for tender, calls for proposals and staff selection) organised by the JU.

During spring 2018, DG MOVE identified a potential risk related to the high turnover and long-term absences in the administrative department of the SESAR JU (mainly legal and financial) which could have affected the performance of the JU as a Union Body. The issue was raised at the Board and prompted a set of mitigating measures taken by the Executive Director, which lead to the reduction of the risk.

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

The SESAR JU is subject to a standard ECA audit to ensure the adequacy of its control arrangements. ECA found the 2017 annual accounts present fairly, in all material respects, the financial position of the JU, the results of its operations, its cash flows, and the changes in net assets.

The report made some observations (a low implementation rate for payment appropriations (68%); a low level of payments under Horizon 2020 (EUR 112.3 million) compared to the commitments (EUR 236.7 million); a 2.8% error rate for Horizon 2020; shortcomings in the financial control processes and in the

[68] Reg. (EC)219/2007.

management of procurement procedures).

DG MOVE monitors the situation. The issues[69] observed with regard to the implementation rate are acknowledged and are being addressed. However, the fact that SESAR is not allowed to use multi-annual commitments limits the possible actions with regard to the multi-annual perspective. As regards the 2.8% error rate under Horizon 2020, the Court acknowledges that based on the assessment of the JU's internal control system and substantive testing of revenue, payment, grants and procurements operations and a review of a sample of finalised ex-post audits including recoveries, the audit results have provided the Court with reasonable assurance that the overall residual error rate is below materiality. In addition, the SESAR JU will update its internal guidelines regarding the elaboration of call documentation in order to address the Court observation on the procurement procedures.

Conclusion

DG MOVE's involvement in the governance of the entrusted entity through the Commission participation did not identify any events, issues or problems, which could have a material impact on assurance.

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

The core objective of the Shit2Rail Joint Undertaking is to enable a faster and cheaper transition to a more attractive, competitive, efficient, integrated and sustainable European rail system, thereby supporting the achievement of the Single European Railway Area and the competitiveness of the rail sector as a whole.

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

S2R JU aims at ensuring a significantly higher leverage effect of EU funds by making EU funding (of up to EUR 450 million between 2014-2020) conditional to firm financial commitments from the rail industry (of at least EUR 470 million between 2014-2020).

S2R JU achieved its operational and financial autonomy in 2016 and the subsequent delegation agreement was signed between the Commission and the JU in May 2016.

In 2018, DG MOVE made contributions of EUR 77.35 million to the S2R JU.

In order to provide a meaningful start to the S2RR JU activities and in response to the requests of the S2R bodies (Governing Board, States Representatives Group and Scientific Committee), as well as following the completion of the selection of associated members, the first calls for proposals were successfully launched on 17 December 2015.

Following its 2018 call for proposals for Research and Innovation activities, 19 projects worth EUR 152.6 million will be funded. S2R JU's co-funding will amount up to EUR 77.3 million. After this call for proposals, S2R JU will have cumulatively

[69] See also section 2.1.2.2 (C)

invested EUR 490 million in research and Innovation activities, which corresponds to more than half of its 2014-2020 budget.

Supervision

As an EU body under Article 71 of the Financial Regulation[70], S2R JU functions under strict monitoring rules. The main bodies of the JU are the Governing Board, in charge of strategic decision-making, and the Executive Director, responsible for day-to-day management. Monitoring is performed through the supervision of the Governing Board (in which the Commission holds 50% of voting rights corresponding to a blocking vote).

The position of the Commission in the S2R Governing Board is jointly established with other services (including DG RTD, DG BUDG, etc.). The supervision of the S2R JU is ensured through a regular involvement of the Commission in the usual planning of the entity (budget request, calls' definition, financial planning, Annual Work Plans) and the reporting organised through the S2R Governing Board, which is chaired by the Commission. In 2014, the Commission defined a formal procedure to establish its position with the S2R Governing Board which provided for consultation with the services concerned (primarily DG MOVE, DG RTD and DG BUDG) on the proposed position. This procedure has been updated in 2018 through a clarification of the Commission's role and activities in other bodies of the S2R JU, such as the States Representatives Group, the Scientific Committee.

Moreover, any decision taken by the Governing Board (incl. on budget, staff, etc.) is subject to the consultation of an inter-service group within the Commission.

The coordination between DG MOVE and the JU's Executive Directors is organised on a bi-weekly basis. Moreover, quarterly coordination meetings between DG MOVE, European Railway Agency and S2R JU have been organised. Bi-annual meetings on administrative issues between DG MOVE Shared Resource Directorate and S2R JU took place in 2018. In addition, there has been a daily contact with S2R JU and the desk officers in DG MOVE in the case of specific needs (preparation of key documents, meetings, etc.). Updates on administrative issues (incl. staff and budget) and the progress on the pipeline of projects are regularly presented to the Governing Board. All S2R JU reports and decisions are scrutinised by the Parent DGs and by DG MOVE in particular as a lead-service. A set of key performance indicators has been identified and used in the JU's Annual Report.

Following an IAS audit on DG MOVE's monitoring arrangements and supervisory activities for S2R JU (see section 2.1.2.1), it was recommended to put in place a supervision strategy, which formalises the allocation of supervision tasks within DG MOVE. DG MOVE took action to strengthen the supervision strategy and formalise the allocation of supervision tasks as well as their division between DG MOVE and DG RTD. All recommendations of the IAS have been implemented in the course of 2018.

In addition, S2R JU is subject to a standard ECA audit to ensure the adequacy of its control arrangements. ECA found the 2017 annual accounts present fairly, in all material respects, the financial position of the JU, the results of its operations, its cash flows, and the changes in net assets.

The report notes that at the end of 2017, the S2R JU had unused payment appropriations from previous years of around EUR 7.6 million. It also mentioned some qualitative shortcomings in the procedure for the procurement of

[70] Official Journal of the European Union, L 193, 30 July 2018.

communication and event services. The Court of Auditors also observed that one of the main objectives of the S2R JU is to leverage contributions from industry members in the area of its activities. However, as the ECA does not audit in-kind contributions to additional activities and therefore is not in a position to provide an opinion on the nature and the quality of these contributions. S2R provided reply and justification to the observations from the Court of Auditors.

As regard the unused payment appropriations, S2R JU underlined that the usual budget process foresees that for each financial year, the Commission pays to the JU the first instalment around March. Consequently, S2R JU considered the full amount of unused payment appropriations from previous years in its budget planning for 2017, to cover the payments of the first quarter in 2018. With regard to the procurement procedure, S2R JU decided not to introduce a minimum financial capacity in order not to discourage the participation of SMEs to the call for tender. In addition, one lot was cancelled given that the technical solution proposed by the winning tender allowed to merge the services planned into one lot instead of two. This complied with Article 114 FR[71]. Lastly, the members other than the Union already provided certified IKAA well beyond the regulatory target. These contributions are certified in accordance with International Audit Standards.

The observations made do not impair the assurance received from the JU.

Conclusion

DG MOVE's involvement in the governance of the entrusted entity through the Commission participation did not identify any events, issues or problems which could have a material impact on assurance

5) Decentralised Agencies: EASA, EMSA, ERA

DG MOVE is a parent DG for three decentralised agencies

- **EASA** - the European Aviation Safety Agency based in Cologne (DG MOVE subsidy in 2018: EUR 37.79 million). The main objective of EASA is to maintain a high uniform level of civil aviation safety in Europe and to ensure the proper functioning and development of civil aviation safety. This is achieved through opinions and recommendations to the Commission, certification specifications and guidance material, decisions regarding airworthiness and certifications of aviation products and the oversight of approved organisations and EU Member States.

- **EMSA** – the European Maritime Safety Agency based in Lisbon (DG MOVE subsidy in 2018: EUR 77.71 million). EMSA provides technical assistance and support to the European Commission and Member States to ensure maritime safety, maritime security, efficiency of maritime traffic and transport, prevention and response to pollution from ships, response to marine pollution from oil and gas installations as well as to cooperate with Frontex and European Fisheries Control Agency on coast guard functions. It has also been given operational tasks in the field of oil pollution response, vessel monitoring and in long-range identification and tracking of vessels.

- **ERA** – the European Railway Agency, based in Valenciennes (DG MOVE subsidy in 2018: EUR 28.79 million), provides technical assistance to the Commission and Member States in the area of railway safety and interoperability. This involves the development and implementation of

[71] Cancellation of the procurement procedure.

Technical Specifications for Interoperability and a common approach to questions concerning railway safety. The Regulation (EU) 2016/796 of the European parliament and of the Council, which entered into force as of 16 June 2016, provides ERA with new, additional tasks – issuing vehicle authorisations and safety certificated. ERA advanced its preparation to become a certifying and authorising entity for European vehicle authorisations, safety certification for railway undertakings and ERTMS[72] trackside approvals. In July 2018 the Commission confirmed in a report on preparedness the progress achieved in this respect[73].

ERA was subject in 2017 to an IAS audit on human resources and competency management that resulted in a critical recommendation on the feedback to the jobholders, on the specification of their objectives and on the appraisal exercise and six recommendations, of which four very important[74]. ERA prepared an action plan covering all the recommendations from the audit, including the critical one, which has been accepted the IAS. These weaknesses have been mostly compensated in 2018 with appropriate action or have been subject to a rectification roadmap. Consequently, IAS has closed the critical recommendation in May 2018 together with the very important recommendation on recruitment. Five recommendations are still to be closed by IAS, including three very important. The situation is monitored through the DG's participation to the Agency's administrative board. It is to note that the Agency is a fully autonomous body and has full responsibility regarding the management of its resources and of its assurance processes. No event is known to have occurred that would have an impact on DG MOVE.

In January 2019, the IAS issued the final report of audit on Programme, Project and service Management (PPSM), including IT, in ERA[75]. The IAS concluded that although the controls that ERA had put in place to support the implementation of the PPSM procedure were generally effective and efficient, there were very important shortcomings in the governance arrangements for PPSM (related to the PPSM process governance, the overall resource planning and the monitoring of and reporting on programmes/projects/services to ERA's decision-making body). One very important and two important recommendations were formulated. ERA accepted all recommendations and prepared a detailed action plan to address identified weaknesses by end of December 2019[76].

Supervision

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

[72] European Rail Traffic Management System.
[73] Report from the Commission on the progress made in preparing for the European Union Agency for Railways enhanced role under Directive (EU) 2016/797 on the interoperability of the rail system within the European Union, COM/2018/623 final.
[74] On organisation, on staff allocation/competencies map, on recruitment and on performance/appraisal.
[75] Ares(2019)160651 of 11.01.2019
[76] Ares(2019)1045770 of 20.02.2019.

formal contacts at all levels are also part of the interaction.

In 2017, DG MOVE adopted a strategy on the DG's relations with decentralised agencies and JU's. This mechanism covers the relation between MOVE and its parent agencies as described in the section related to joint undertakings.

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

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

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

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

Audit by the Court of Auditors

In the Declaration of Assurance 2017, ECA found the annual accounts of EASA, EMSA, and ERA legal and regular in all material aspects and that they present fairly in all material respects the financial position of the Agencies.

The Court made an observation to EASA as regard the need to strengthen the accounting officer’s (AccO) independence by making him directly responsible to the Agency’s Director and Management Board. The accountability and independence of the AccO of EASA have been modified in line with the observation from ECA through a Management Board decision in December 2018.

In addition, the Court made an observation to ERA as regard the principle of segregation of duties between the Authorising Officer and the Accounting Officer that implies that both functions are mutually exclusive. Following a major re-organisation implemented in July 2018, a proper segregation of duties was put in place.

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

Conclusion

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

C) Conclusion as regard legality and regularity of the transactions

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

The AOD's conservative estimation of the amount of *relevant expenditure* during the year not in conformity with the applicable contractual and regulatory provisions at the time of closure (amount at risk at closure) is EUR 2.55 million. This amount is not considered material as regard assurance building.

The assessment on legality and regularity for the directly managed FP7 programme returns a level of detected error which appears to be 'persistently high' over the years in terms of potential financial impact (exposure). The impact of this amount at risk on the overall materiality at DG level remains limited.

The assessment on legality and regularity for the directly managed H2020 funds remains based on an estimated error rate. This estimate remains within the 2-5% materiality threshold retained for this instrument. There is moreover evidence of a reduction in the number and level of errors made by beneficiaries. Considered the limited exposure of DG MOVE to this programme, the situation does not impair the assurance.

Assurance regarding the SES Advisory Bodies is drawn from satisfactory performance and their compliance with the regulatory framework and with the contractual provisions.

As for the SESAR Deployment Manager, the estimated error rate is based on the results of the audits on the first two specific grant agreements. This item represents a limited share of DG MOVE's expenditure. Corrective actions are ongoing, notably through an extensive audit coverage. The resulting amount at risk has a limited impact on the overall materiality at DG level and does not impair the overall assurance.

Regarding indirectly managed expenditure, there are no indications of any element that would impair the assurance.

2.1.1.1.2 Fraud prevention, detection and correction

DG MOVE has developed and implemented its own Anti-Fraud strategy since November 2013, in accordance with the guidance laid out in the OLAF methodology. Subsequent updates occurred in October 2015 (covering 2016-2017) and November 2017 (covering 2018-2019).

The current strategy is built upon a specific risk assessment that concluded that

DG MOVE was subject to moderate and low level risks in that domain. It recognised the importance of staff awareness and the growing importance of relations with decentralised bodies as well as the evolution of the cooperation framework between OLAF and the Commission, and between DG MOVE and the Research family DGs. The controls intended to ensure the legality and regularity of the transactions are complemented by an action plan that is attached to the strategy. In addition, the implementation of the strategy is monitored and reported at least twice a year to DG MOVE's management.

The indicators, related to the maintenance and update of the strategy, to its implementation and to the regularity of reporting to management, show that the strategy is an effective tool, that is proportionate to DG MOVE’s risk profile. Actions planned to accompany the revision of the CAFS are postponed as this strategy is now scheduled for 2019.

Further efforts regarding staff awareness have been pursued. In 2018, the initiatives encompassed two dedicated training actions and targeted meetings. Fraud prevention was also regularly discussed in the internal control newsletter. An information package was available on a dedicated intranet.

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

DG MOVE ensures notably that:

- internal rules for fraud suspicion handling and reporting are in place;
- potential fraud risks are considered within the annual risk assessment exercise for the Management Plan. The 2018 risk assessment did not identify any critical or significant fraud risks;
- a regular attendance to the Fraud Prevention and Detection network and to the Fraud and Irregularity Committee meetings as well as contacts with other DGs and services;
- the Local Anti-Fraud Correspondent function is operated, in line with the common action plan for the Research family;
- an appropriate level of cooperation is ensured with OLAF.

In the course of 2018, DG MOVE sent no new case to OLAF for investigation. As of 31 December 2018, there was one open case.

An update of the anti-fraud strategy is expected to occur in 2019, based on the forthcoming revised Commission Antifraud Strategy (CAFS).

In addition, the tables below show the state of implementation of the anti-fraud indicators and outputs indicated in the Strategic Plan for 2016-2020 and the Management Plan 2018.

Table 2.8: State of implementation of the Anti-fraud indicators mentioned in the Strategic Plan 2016-2020

Objective: Minimisation of the risk of fraud through application of effective anti-fraud measures, integrated in all activities of the DG, based on the DG's anti-fraud strategy (AFS) aimed at the prevention, detection and reparation of fraud.			
Indicator 1: Updated anti-fraud strategy of DG MOVE, elaborated on the basis of the methodology provided by OLAF **Source of data: OLAF guidelines – DG AFS**			
Baseline	Interim Milestone 2017	Target	Latest known results (2018)
Date of the last update: October 2015	AFS to be updated by December 2017 and December 2019	Update every two years, or if there are major changes.	Updated in November 2017. Next update expected in 2019.
Indicator 2: Regular monitoring of the implementation of the anti-fraud strategy and reporting on its result to management **Source of data: Bi annual Report to the Commissioner**			
Last update of the anti-fraud strategy – October 2015	Interim reviews twice a year, starting in the first half of 2016.	Review of the state of implementation twice a year and report of the result in the bi-annual report to the Commissioner	The state of implementation was reviewed three times in 2018 and reported as per target.

Table 2.9: State of implementation of the Anti-fraud outputs mentioned in the Management Plan 2018

Objective 3: Minimisation of the risk of fraud through application of effective anti-fraud measures, integrated in all activities of the DG, based on the DG's anti-fraud strategy (AFS) aimed at the prevention, detection and reparation of fraud.			
Main outputs in 2018:			
Output	Indicator	Target	Latest known situation (2018)
Implementation of the anti-fraud strategy as planned for 2018-2019	% of implementation of actions planned in the anti-fraud strategy	100%	100% of the actions, except for the actions related to the introduction of CAFS II, initially expected in 2018 and postponed to 2019.
Monitoring of the effectiveness of the anti-fraud strategy for 2018-2019	Mid-term review of the AFS	Before 31.12.2018	Related to the introduction of CAFS II, initially expected in 2018 and postponed to 2019.
Reporting to Management	Number of reports on the implementation of the anti-fraud strategy	At least twice a year	3

2.1.1.1.3 Other control objectives

The general control objectives "safeguarding of assets and information" and "reliability of reporting" are relevant for DG MOVE.

A) Safeguarding of assets and information

DG MOVE is a delegated service for the Management of the CEF Debt Instrument. The management of these financial instruments was, as discussed above, delegated to the EIB. The off balance sheet postings include contingent liabilities that correspond to the guarantees given under the 'first loss piece mechanism' for the CEF financial instruments. The CEF facility receives an operational revenue to remunerate the underlying risks[77]. These guarantees remained stable (as of 31 December 2018 these guarantees amounted to EUR 461.6 million). No significant losses were reported.

B) Reliability of reporting

DG MOVE implements a significant part of its budget through indirect management. It therefore relies on the reports and accounts provided by the relevant implementing bodies (as indicated in Section 2.1.1.1.1, B) and considers that overall the reporting received was considered reliable and adequate for drawing assurance conclusions.

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

The statutory information received in 2018 from SESAR JU included its AAR, the annual work programme and budget for 2018 as well as the single programming document for 2018 (including the multi-annual work programme, the budget, staff allocation and annual work programme).

This information was deemed adequate for drawing assurance conclusions and was also considered reliable. Assurance in this respect is drawn from an analysis of these reports as well as from the ECA report on the 2017 accounts of SESAR JU and from the relevant IAS reports.

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

b) The SHIFT2RAIL Joint Undertaking for the implementation of the Horizon 2020 Research & Innovation activities in the rail sector

S2R JU became autonomous in May 2016 and started to launch its project activity in September. Until that time the JU was under the direct management control of the Commission. Nonetheless, statutory information received from the implementing body included its AAR, the annual work programme and budget for 2018 and 2019, in addition to the multi-annual work programme.

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

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

In conclusion, the statutory information was considered adequate for drawing

[77] See section 2.1.1.1.1, B (3) "EIB for CEF Debt Instruments".

assurance conclusions and was considered reliable.

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

Statutory information received during the reporting period includes the annual reports and the financial statements for the financial year 2018. The management information received from this body is considered as sufficient and reliable. Assurance in this respect is drawn from the declaration of assurance that accompanies these documents and from the independent audit report that covers them.

DG MOVE received the EIB annual reports, declaration of assurance and the financial statements in February 2018 for the financial year 2017 as defined in the CEF Debt Delegation Agreement. The audit report did not include any major observation. One control weakness was identified regarding the publication of contracting information prior to the actual signature of the contract. This occurrence is not considered as having any material impact on the assurance as the contract was subsequently effectively signed.

d) INEA

Statutory information received during the reporting period includes the work plan, budget planning, regular reporting and the AAR. INEA has a close working relation with DG MOVE. The management information received from this body is considered as sufficient and reliable. Assurance in this respect is drawn from the declaration of assurance that accompanies the AAR and from audit results. The statutory and management information received is compliant with applicable guidance, reliable and allows for drawing adequate assurance conclusions.

e) Decentralised Agencies

EASA, EMSA and ERA have a clearly established governance set-up, and are fully autonomous from the Commission. DG MOVE is a member of the Administrative Board (ERA, EMSA) / Management Board (EASA). Regular reporting and extensive informal and formal contacts are in place.

The agencies have full responsibility for the implementation of their budget and are subject to a separate Discharge process, while DG MOVE is responsible for the settlement of the contributions established by the Budgetary Authority.

Assurance in this respect is drawn from the declaration of assurance that accompanies the AAR of the Agencies, from the Discharge process and from the consideration, through the participation of DG MOVE representatives to the governance bodies, of audit results. The statutory and management information received is compliant with applicable guidance, reliable and allows for drawing adequate assurance conclusions.

2.1.1.2. Efficiency

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

A) Direct management

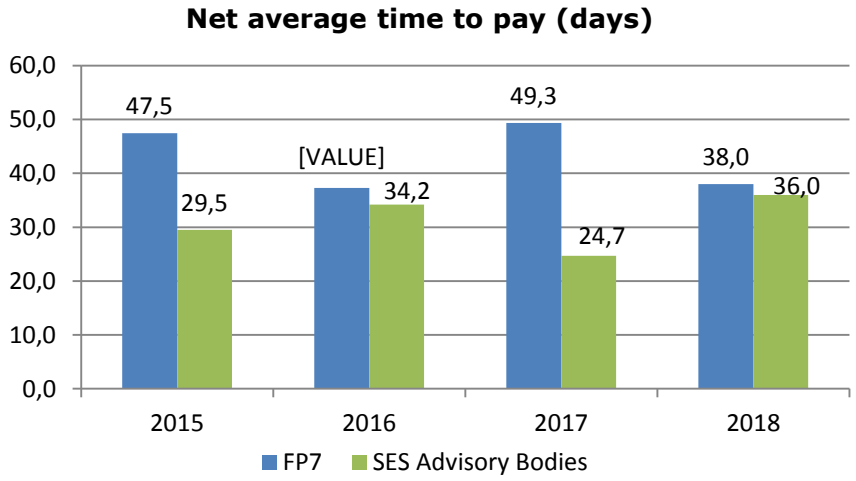
For the year 2018, the following efficiency indicators were estimated for the programmes reported in section 2.1.1.1.1. (A), related to the ex-ante controls (FP7 and SES Advisory Bodies) and to the ex-post controls for FP7 and SESAR Deployment Manager.

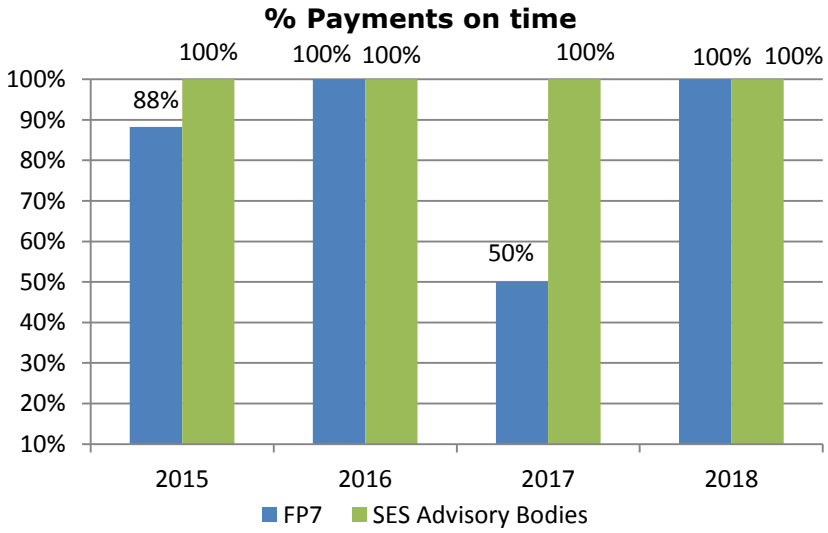
The section below details the efficiency per control stage.

- **Time-to-pay (Article 116.1 FR)**

The evolution over time of the efficiency indicators for the categories of payments detailed under section 2.1.1.1.1 A 'Direct management' (i.e. for FP7 and SES Advisory Bodies) is outlined in the two charts below.

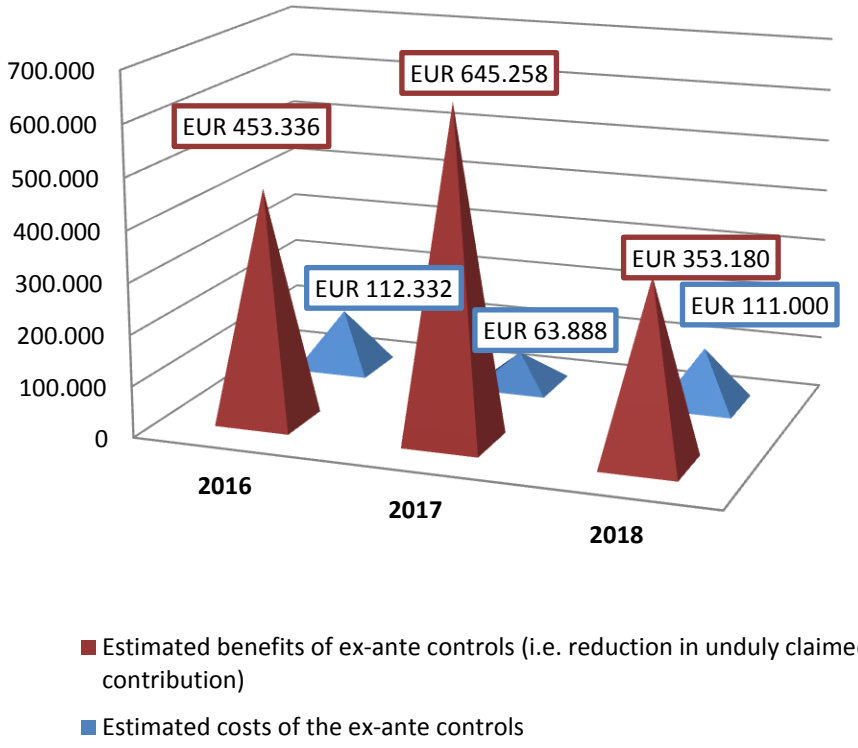
For 2018, 100% of the payments for FP7 and 100% of the payments to SES Advisory Bodies were made on time, thus above the Commission's average and the average for Research DGs with a net average time-to-pay of 38 days for FP7 and 36 days for SES Advisory Bodies, which is below the respective payment time limits of 90 days and 75 days.





The efficiency of the ex-ante controls for FP7 is outlined in the following chart below, comparing the quantifiable benefits stemming from this stage to the costs incurred to perform the ex-ante controls. It is important to note that the amount of unduly claimed EU contribution may vary from one year to the other, depending notably on the quality of the required supporting documents provided by the beneficiary, which ensure the conformity of the expenditure with the legal basis.

Ex-Ante FP7: costs versus benefits



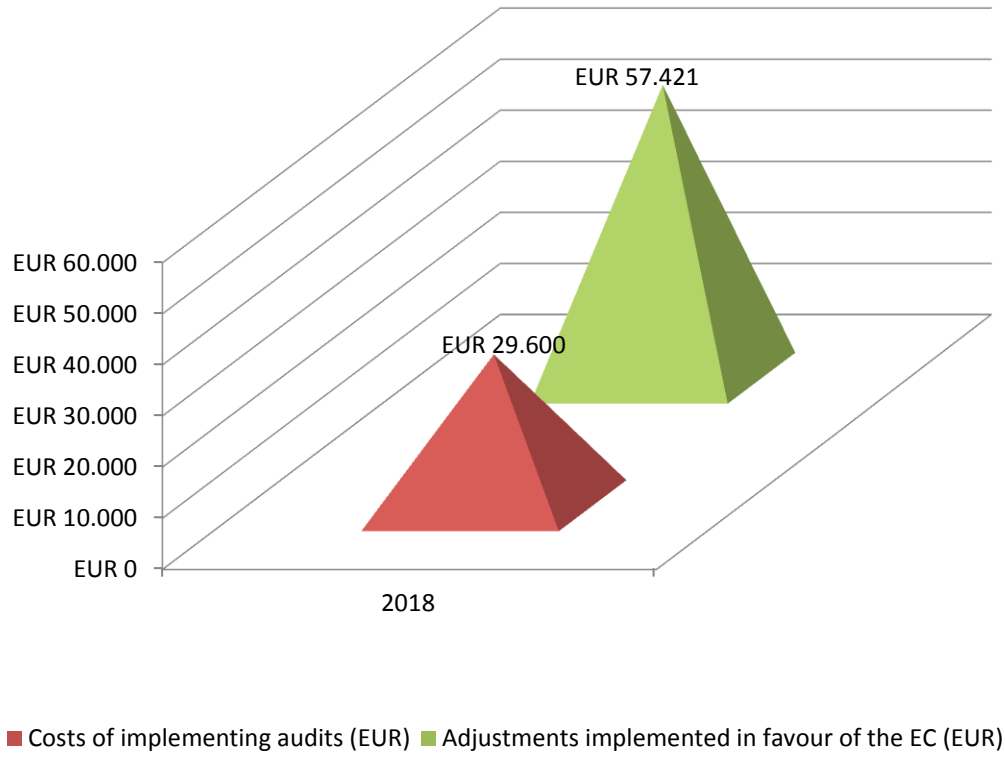
- **Time to inform and time to grant (Article 194.2 FR)**

As regards research grants under direct management, no calls were published or grant agreements signed in 2018.

- **Implementation of Ex-post audits**

In addition, the implementation of the audit adjustments for FP7 is comparing the cost of implementing audits with the adjustments implemented in favour of the EC.

Implementation of FP7 ex-post audits (in EUR)



- **Cost of carrying out ex-post audits**

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

The cost of control indicator is established for all DGs and services involved in these programmes, as the cost are mutualised[78], comparing the cost of the audits carried out by RTD against the total amount of expenditure under the programme.

Table 2.10: Cost of ex-post audits

Effectiveness indicator in direct grant management	Costs (EUR million)			Overall rate (total costs / total amount paid)
Common Support Centre	Internal costs	External costs	**Total**	**%**
Ex post audits performed by the CSC for the R&I Family of DGs	7.3	2.8	**11.1**	**0.12%**

Source: DG RTD

The contracts with the SES Advisory Bodies, due to their nature, were not subject to ex-post audits by DG MOVE.

[78] It is therefore not possible to derive a 'DG MOVE' specific cost of CAS services.

Regarding the audits performed on the SESAR Deployment Manager grant agreement, corrections resulting from the audit reports amount to EUR 0.95 million. As of 31 December 2018, recoveries had been implemented for EUR 0.67 million. The remaining corrections, resulting from the most recent audits, are planned to be implemented in 2019.

2.1.1.3. Economy

DG MOVE performed an assessment of its costs of control in accordance with the current guidance[79]. The corporate methodology for the estimation, assessment and reporting on the cost-effectiveness of controls was revisited in September 2018 and applied for the first time into the 2018 annual reporting. The difference of the estimated cost of controls as compared to previous years (from 0.9% to 1.3%) derives from this new methodology[80] and does not reflect any material change in DG MOVE control strategy.

The assessment made included the identification of control functions, the quantification of their costs and the assessment of their cost effectiveness.

The outline of the cost assessment is presented below per management mode and per relevant control system (see also Annex 10), whereas its conclusions are presented under section 2.1.1.5 "Conclusion on the cost-effectiveness of controls".

A) Direct management

The cost of control associated to the reported upon directly managed expenditure takes into account the Commission level costs to manage financially the expenditure and the relevant programmes (covering the staff working time allocated to these tasks) and can be summarised as follows:

Table 2.11: Cost of control – Direct management

Estimates based on the cost of FTEs, per relevant control system	Directly Managed grants (FP7)	Directly Managed grants (H2020)	Directly Management procurement - SES Advisory Bodies	Directly Management grant- Sesar Deployment Manager
Payments made in 2018	EUR 217,064	EUR 1,697,402	EUR 1,396,191	EUR 4,465,809
Cost of ex-ante	0.75FTE	6.69 FTE	2.3 FTE	2.3 FTE

[79] Guidance on the estimation, assessment and reporting on the cost-effectiveness of controls, Ares(2018)4917637, dated 25 September 2018.
[80] In particular, the new methodology considers some cost of controls (f.i. organisational controls) previously not taken into account in the overall cost of control indicator and ensures a more comprehensive coverage of programme management controls.

controls	EUR 111,000	EUR 990,120	EUR 269.400	EUR 340.000
Cost/funds ratio – Ex-ante	51.14%	58.33%	19.3%	7.62%
Mutualised ex-ante controls[81]	N/A	0.46%	N/A	N/A
Cost of ex-post controls	0.2 FTE EUR 29,600	Mutualised through DG RTD	N/A (service contracts)	1.5 FTE EUR 222.000
Cost/funds ratio –Ex-post	13,64%	N/A	N/A	4.97%
Mutualised ex-post controls	0.12%	0.12%	N/A	N/A
Total cost/funds ratio	64.89%	58.91.%	19.30%	12.59%

The controls related to FP7 research grants under direct management were not economical in 2018 when compared to payments made during the year. DG MOVE is still exposed to costs of control to ensure the follow-up of audits or the closure of the last projects, whereas the amount of expenditure for the year 2018 is too low to absorb effectively these costs. At this late stage of the programme, however, a comparison of the cost of control with the amount of payments and cleared pre-financings may give an alternative indicator in this respect. The ratios for ex-ante and ex-post cost effectiveness would then amount to 1.7% and 0.5% respectively, reflecting the clearing of pre-financing for EUR 6.27 million.

The relatively high costs reported for H2020 research grants under direct management should be put in balance with the fact that these controls cover more than the modest amount of expenditure directly managed by MOVE in that field. They also contributed to the coverage of the H2020 transport projects managed in particular by INEA as well as the more general programme management aspect.

The cost of controls of the SDM framework partnership (grants under direct management) are relatively high but proportionate to the needs. The main cost drivers in this respect are the complexity of the action, the number of partners (19 Members) and the need to correct and mitigate past issues that resulted in a more systematic than initially expected involvement of Commission services.

The cost of controlling SES advisory bodies (procurements and reimbursement of expert costs under direct management) are relatively high. The actions proves labour intensive for low amounts of funds. The setup remains relatively complex involving procedurally heavy mechanisms such as tendering.

B) Indirect management

The cost of control associated with the reported upon indirectly managed expenditure includes the costs exposed to manage the programmes and the financial flows as well as to supervise the different entities. These costs include the staff working time allocated to these tasks and the specific contracts directly

[81] Mainly Common services in IT systems and operations, business processes.

related to supervisory tasks when relevant and can be summarised as follows:

Table 2.12: Indirect management - Cost effectiveness ratio

	Indirect Management – SESAR Joint Undertaking	Indirect Management – S2R Joint Undertaking	Budgetary Support – Decentralised agencies ERA, EMSA & EASA
Payments Made in 2018	EUR 91.38 million	EUR 77.36 million	EUR 144.30 million
Cost/funds ratio for ex-ante controls (cost/payments of 2018)	0.47% (EUR 0.43 million)	0.34% (EUR 0.27 million)	0.58% (EUR 0.83 million)
Cost/funds ratio for ex-post controls (cost/payments of 2018)	0%	0%	0.08% (EUR 0.12 million)
Total cost/funds ratio	0.47%	0.34%	0.66%

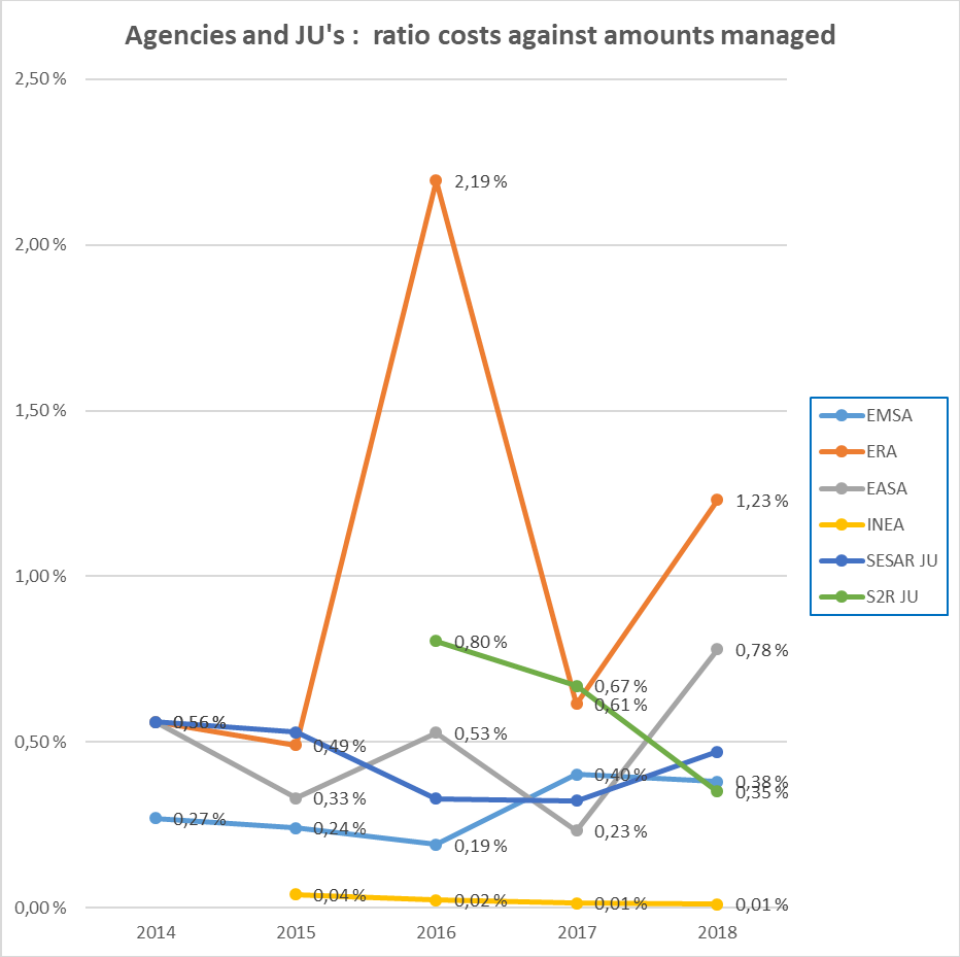
The costs related to financial and supervisory controls for both the Joint undertakings and Decentralised agencies are relatively low. The operational relations between DG MOVE and its entrusted entities are robust and stable. A slight increase might have resulted from the introduction of a comprehensive supervision strategy.

It should be noted however that the cost of control related to the European Railways Agency remains slightly higher than that of its counterpart, as the agency continue its transition towards its new role under the 4th railway package and is gearing towards the introduction a fees and charges system, prompting more intensive contacts with the Commission services.

C) Cost of control at DG and at entrusted entities level

The cost of control for entrusted entities includes both the cost exposed by the Commission and the cost exposed by the entity itself for the management of the entrusted tasks. The cost at entity level is measured through the fees paid to the entities or, for the Joint Undertakings, through the calculation of the effective cost of control resources, using a methodology similar to that used for Commission services. EU bodies and Executive agencies have a full responsibility for the operation of the control systems and report separately on their activities.

As shown in the chart below, the indicators related to supervisory controls carried out in 2018 by DG MOVE services over the entrusted entities remains low, on average below 1%, showing that the supervisory controls were cost effective.



The following tables summarize the cost of control respectively at DG MOVE (2.13) and at entities (2.14) level.

Table 2.13: Indirect management – Cost of control at Commission level

Entity	Cost of control at Commission level in EUR million	Comment (amounts in EUR)
EMSA	0.30 million	Controlled amount: subsidy of 77.71 million
ERA	0.36 million	Controlled amount: subsidy of 28.79 million
EASA	0.30 million	Controlled amount: subsidy of 37.79 million
INEA	0.25 million	Controlled amount: The Mobility and Transport expenditure managed by INEA under Direct Management in 2018 amounted to EUR 2.2 billion. The administrative contribution to the Agency amounted to 26.67 million.
SESAR JU	0.43 million	Controlled amount: budget of 91.38 Million
S2R JU	0.27 million	Controlled amount: budget 77.36 million.

Source: estimate of staff cost associated with the different control stages, ABAC data.

Table 2.14: Indirect management – Cost of control at entity level

Entity	Cost of control in EUR	Comment
INEA	17.46 million	DG MOVE's share[82] in the cost of control of the Executive Agency
SESAR JU	EUR 1.53 million	The JU is responsible for the design and deployment of its controls and for the issuance of its own annual report. The cost of controls performed is decreasing slightly at EUR 1.53 million of which EUR 1.33 million for ex-ante controls.
S2R	EUR 0.49 million	The JU is responsible for the design and deployment of its controls and for the issuance of its own annual report. The cost of controls performed is stable at EUR 0.49 million, of which 0.46 million for ex-ante controls.
EIB	EUR 1.71 million	Aggregated amount of the fees paid for the management of the CEF debt instruments

Sources: Draft AARs for EU entities, Financial Statements for non-EU entities, Cost of Control assessments performed by the JUs.

As to the EIB, the cost effectiveness of the CEF Transport debt instruments is measured by comparing the cost of supervision at Commission level, and the fees paid to the entrusted entity against total assets under management as of 31 December of the reporting year. The cost of supervisory controls in DG MOVE is estimated at EUR 0.07 million. The total cost (by DG MOVE and charged by the EIB) amounts to 1.78 million and represents 0.37% of the funds managed, down from 0.54% in 2017.

Table 2.15: Control Cost indicator – CEF Debt Instrument

Control cost indicator – supervision of the CEF DI (EIB) (in EUR million)	2016	2017	2018
Sum of all fees paid to the bank (treasury, administrative and performance fees) (*)	1.90	2.34	1.71
Cost of control by DG MOVE services	0.33	0.31	0.07
Total Supervision costs by DG MOVE	2.23	2.65	1.78
Amount delegated in the course of the year	37.50	23.60	0
Amount under management (*)	463.50	493.54	477.45
Cost effectiveness Ratio	**0.48%**	**0.54%**	**0.37%**

Source: (*) Audited Financial Statements for the CEF Debt Instrument, EIB.

[82] This estimate is based on INEA's calculated cost of control per programme and reflects the 96.19% share of Transport projects in the CEF programme and Legacy programmes, and the 49.11% share of Transport projects (including DG MOVE, DG RTD and Third party funds) in the part of H2020 managed by INEA.

D) Cost of organisational controls

The assessment of the cost of controls also covered organisational controls, that correspond broadly to the non-expenditure related internal controls operated by DG MOVE.

Table 2.16. Overview of the estimated cost of control – non-expenditure related.

	FTE	Cost equivalent
Budget and Accounting	3.1	EUR 0.46 Million
Coordination	6.35	EUR 0.90 Million
Fraud prevention	0.4	EUR 0.06 Million
ICT and Information Security	2	EUR 0.30 Million

DG MOVE devotes limited resources to Budget and Accounting, Antifraud and ICT controls. The cost of coordination controls is affected by different factors, in particular by the high number of audits performed by the European Court of Auditors in the area of transport and mobility policy. The associated cost of control remains however proportionate.

2.1.1.4 Conclusion on the cost-effectiveness of controls

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

DG MOVE faces relatively high costs for its directly managed activities, but these costs are proportionate and necessary:

The assessment of the costs and benefits of controls on FP7 research grants show that these controls are not fully cost-effective. The amount of expenditure for the year 2018 is too low to absorb effectively the costs that are still necessary to ensure the follow-up of audits or the closure of the last projects. No further economy of scale seems achievable at this stage.

The control strategy for H2020 research grants is considered cost-effective. The relatively high cost benefit ratio should be put in balance with the fact that these controls cover more than the modest amount of expenditure directly managed by DG MOVE in that field. They also contribute to the coverage of the H2020 transport projects managed in particular by INEA as well as the more general programme management aspect. Economies of scale were sought in 2018 by ensuring the transfer to INEA of the H2020 expenditure that had remained under direct management.

The assessment of the costs and benefits of controls of the SDM framework partnership (grants) is considered cost-effective despite relatively elevated costs. The main cost drivers in this respect are the complexity of the action, the number

of partners (19 Members) and the need to correct and mitigate past issues that resulted in a more systematic than initially expected involvement of Commission services. The high level of control exerted on this grant contributes to the assurance that the necessary mitigation measures are put in place.

The assessment of the costs and benefits of controls of the SES advisory bodies (procurements and reimbursements of expert costs) is considered cost-effective despite relatively elevated costs. The action proves relatively labour intensive for relatively low amounts of funds. The setup is relatively complex. Since 2016, the amount of expenditure for the bodies has decreased sharply to EUR 1.4 million, whereas the controls associated to the delivery mechanism need to be maintained.

The indicators show that the DG allocated an appropriate quantity and quality of resources to ensure a fluent and effective operation of the controls, although these activities are marginal in terms of payment expenditure.

These controls also have qualitative benefits. Ex-ante controls contribute to the achievement of the policy and operational objectives and provide an assurance that the project is running adequately. Ex-post controls have a positive deterrent effect within the programme, which will foster system improvements and a better compliance with regulatory provisions.

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

DG MOVE control strategy for SESAR and Shift2Rail Programmes is considered to be cost-effective. The costs are moderate in comparison to the action value. The controls contribute to the EU added value of these initiatives. The supervisory controls show that the activities are performed effectively and efficiently.

DG MOVE control strategy for the CEF delegated instruments portfolio is considered to be cost-effective. The costs are low compared to the value under management.

The control strategy for the budgetary support to ERA, EASA, EMSA and INEA is cost-effective overall. The control strategy corresponds to the organisational setup. The controls are aligned with the policy objectives and the operational needs.

The organisational controls operated by DG MOVE are considered to be cost-effective overall. DG MOVE only devotes limited resources to Budget and Accounting, Coordination, ICT and fraud prevention. The costs are proportionate to the control needs.

To summarise, the efficiency and the effectiveness of the controls are, as a whole, supported by quantitative and qualitative benefits, identified for the relevant stages of the process, the costs of the controls remain overall low and the higher cost items are justified by objective needs or by specific circumstances, thus providing a positive impact on the assurance[83].

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 internal control, which could have a material

[83] Despite the reservation on FP7.

impact on the achievement of the internal control objectives, and therefore on assurance, together with any management measures taken in response to the audit recommendations.

2.1.2.1 Internal Audit Service (IAS)

During the reporting period, the IAS did not carry out any engagements related to DG MOVE.

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

- **Audit Report on the effectiveness of the set-up and supervision of Shift2Rail**

In its final report issued in December 2017, the IAS recognised the efforts made by DG MOVE to ensure the effective set-up of S2R JU and the supervision of its activities. However, a significant weakness in DG MOVE's current supervision system due to the lack of a formalised comprehensive supervision strategy for S2R JU was identified. One very important[84] and one important recommendation were formulated. DG MOVE prepared an action plan to mitigate the identified risks.

DG MOVE Strategy on its relations with Decentralised Agencies and Joint Undertakings was adopted by DG MOVE Control Board on 4 December 2017[85] and was followed by immediate implementation and monitoring. Further actions implemented by the end of 2018, aimed at formal clarification of allocation of the supervision activities within DG MOVE and between DG MOVE and DG RTD; development of formal guidelines for the participation of DG MOVE in the different governing bodies; and identification and assessment of risks that could impair the achievement of main objectives.

Both recommendations were implemented by the end of 2018 and submitted under the IAS review.

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

In its final report issued in January 2017, the IAS found that DG MOVE's aviation and maritime security inspections were adequately performed by experienced and competent staff. Nevertheless, significant weaknesses were identified in the current monitoring system due to the lack of a formalised comprehensive monitoring strategy. All three very important recommendations[86] formulated in the final audit report (as well as four important recommendations) were satisfactory implemented by end February 2018 and closed by the IAS in July 2018.

The main actions aimed at formalising the comprehensive overall strategies for the Commission monitoring of the implementation of the EU aviation and maritime security standards by the Member States, and developing monitoring tools to ensure that the Member States provide all information necessary to conclude on the effectiveness of the implementation of the national quality control programmes

[84] DG MOVE should establish a comprehensive, risk based supervision strategy, describing how the available supervision tools and control mechanisms will be used and including a formal allocation of tasks. The DG should also carry out a mapping exercise of the tasks related to the supervision of S2R and estimate the resources necessary for performing them.
[85] Ares(2017)6088173.
[86] Recommendation 1: Monitoring strategy for aviation security policy; Recommendation 2: Monitoring tools – aviation security policy; Recommendation 5: Monitoring strategy for maritime security policy.

related to the aviation security policy.

- **Audit Report on Supervision of the Implementation of Connecting Europe Facility (CEF) in DG MOVE**

In its final report issued in January 2016, the IAS acknowledged the efforts made by DG MOVE to monitor and steer the implementation of CEF in the complex governance and regulatory framework in which it operates. Nevertheless, it concluded that further improvements were necessary to ensure effective supervision arrangements on the implementation of the CEF programme and on the achievement of the CEF and TEN-E objectives.

All recommendations formulated were satisfactory implemented by October 2017 and closed by the IAS in July 2018. The main actions aimed at formalising a comprehensive overall strategy for the supervision of the corridor development, setting out the supervision needs, the tools to be used and the degree of assurance to be provided.

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

The IAS is entrusted with the responsibility to provide a conclusion on the state of internal control in DG MOVE, which covers the audit work of previous years[87] and all open recommendations issued by the IAS.

It concluded that the internal control systems in place for the audited processes are effective.

2.1.2.2 European Court of Auditors (ECA)

a. Audit work 2018 - Statement of assurance (DAS) 2017

In the context of DAS 2017, the Court of Auditors assessed *Mobility and Transport* as part of the *Competitiveness for Growth and Jobs* chapter[88]. It concluded for the whole chapter that the testing of transactions indicates that the most likely error present in the population is 4.2% (compared to 4.1% in 2016) and that the overall audit evidence indicates that accepted expenditure is affected by a material level of error. The *Mobility and Transport* payments represent only a limited part of the total of the whole chapter, and the residual error rates of its key component CEF-Transport and of its predecessor TEN-T programme is under 1%.

The Court of Auditors selected ten transactions from transport budget lines: three payments concerning the CEF Programme, six from the TEN-T programme and one from FP7.

It did not issue any observations for three of the selected transactions. For five of the sampled payments, the Court of Auditors detected non-quantifiable errors. For two cases (one Horizon 2020 and one from the TEN-T programme) quantifiable errors were detected at the level of the beneficiary. These errors relate to the classification of costs, to their eligibility and to the exchange rates applied.

In its Annual Report, the Court of Auditors recommended to improve the guidance given to beneficiaries as regards cost eligibility. The revised guidance was published in January 2019.

[87] Final audit reports issued in the period 01/02/2016 – 31/01/2019.
[88] Chapter 5 of the ECA's annual report 2017 (OJ C 357, vol. 61, 04.10.2018).

b. Special Reports published in 2018

In its **Special Report 19/2018 on High Speed Rail** the Court of Auditors aimed at assessing whether EU co-funded High Speed Rail lines have been well planned, cost-efficient, and providing sustainable results and EU added value.

It considers that the high speed rail system has been constructed without sufficient coordination across borders to guarantee the high EU added value of the EU co-funding of such investments. It was critical of the lack of a solid EU-wide strategic approach and of the lack of priority given to cross-border lines, resulting in a patchwork of national high-speed lines, planned and built by the Member States in isolation.

The Court of Auditors called, in its 16 recommendations, for strengthened tools and powers for the Commission to ensure that Member States make rapid progress towards completing the core network corridors of the Trans-European Transport Networks (TEN-T).

Whereas the Commission did not[89] accept to link EU co-funding to the achievement of the results announced, it nevertheless envisages to further develop the consideration of results and impact in the performance framework applicable to the 2021-27 financial period.

The Commission partially accepted the recommendation to make EU co-funding contingent on the introduction of an effective on-track competition on the high-speed lines supported by EFIF soonest after completion of the works. As regards the Connecting Europe Facility however, the fourth railway package imposes obligations on Member States while the Connecting Europe Facility funding applies to all types of beneficiaries. Therefore, it would not be effective to apply such a conditionality as Connecting Europe Facility beneficiaries are not accountable for the introduction of competition on the supported infrastructure projects.

The Commission is taking action on the other recommendations through its ongoing efforts to better coordinate works and investments for the realisation of the Trans-European Transport Network, and to create a genuine level playing field between transport modes. In addition, proposals recently put forward by the Commission as part of the next long-term budget ("Connecting Europe Facility") and Europe on the Move ("Smart TEN-T") are expected to accelerate the completion of the high-speed network, while ensuring that public money is well-managed and well-spent.

In its **Special Report 30/2018 on Passenger Rights**, published on 8 November 2018, the Court of Auditors examined whether the scope and reach of regulations effectively protect passenger rights and whether these rights are actually protected and effectively enforced or not.

The European Commission has established a set of core EU passenger rights common to the four modes of public transport - air, rail, waterborne and bus. The rights are guaranteed for each transport mode.

However, many passengers are not sufficiently aware of their rights and frequently do not obtain them due to problems with enforcement. In addition, the extent of protection depends on the mode of transport used. The Court of Auditors noted that the monitoring by European Commission had led to clarification of the

[89] Such an approach would not be aligned with the logic of infrastructure projects, where the results are not immediate at the completion of the project, and may not be under control of the beneficiary.

regulations. However, the Commission does not have a mandate to ensure enforcement.

The five recommendations made include improving the coherence of the EU passenger rights framework, improving clarity within the passenger rights framework, increasing passenger awareness, improving the effectiveness of the passenger rights framework, further empowering the National Enforcement Bodies (NEB) and enhancing the mandate of the Commission.

The Commission accepted the recommendations and DG MOVE is taking action within the framework of its right of initiative. Proposals have been made to amend the air and rail passenger regulations to enhance its enforcement.

While the extent of the regulations makes the EU framework unique globally, the Commission acknowledges the possibility to further improve it. It has already issued guidance for rail and air transport. The Commission is prepared to consider further guidelines for bus and coach as well as sea and inland waterway. It also plans a study as follow-up to the observations of audit.

DG MOVE was also involved in the Court of Auditors Landscape Review on Transport and Mobility, in which the Court drew the overarching conclusions of its recent activity and of the activity of other assurance providers in the field. It was associated to special report 9/2018 on public private partnerships and 23/2018 on air pollution.

c. Summary of results from the Court's 2017 annual audit of the European Research Joint Undertakings

In this summary providing an overview of the results of the annual audit on the European Research Joint Undertakings (JU), the Court of Auditors reported unqualified opinions on both the reliability of the accounts and the legality and regularity of transactions for the SESAR and S2R JUs, considering that the transactions underlying the annual accounts of the two JUs for the year ending 31 December 2017 are, in all material respects, legal and regular.

For SESAR JU, the Court of Auditors observed a low implementation rate for payment appropriations (68%) in 2017. The main reasons for the delay in implementation of payments was due to delays in the implementation of Horizon 2020 projects, the non-consideration of important assigned revenue stemming from recoveries for closed FP7 projects and to the fact that over the period 2010-2017, the average time for receiving the Annual Financial Implementation Delegation Agreements was more than six months. Therefore, in order to ensure continuity of operations, the SESAR JU has to plan its budget to have enough cash and payments appropriations to cover payments during at least the first half of the following year.

In addition, the Court of Auditors noted that for SESAR JU, the residual error rate under Horizon 2020 payments was 2.8%. However, it underlined that taking into account the rather low amount of total Horizon 2020 payments compared to the total amount of SESAR payments in 2017, the overall residual error rate remained below materiality.

Lastly, the Court of Auditors observed shortcomings in the application of internal control standards. The reinforcement of the "Finance and Budget" team in 2018 and 2019 addresses this observation.

For S2R JU, the Court of Auditors noted that at the end of 2017, the JU had

unused payment appropriations from previous years of around EUR 7.6 million showing weaknesses in the budget planning process. The S2R JU highlighted that the usual budget process foresees that for each financial year the Commission pays the first instalment around March only. The JU therefore considered the full amount of unused payment appropriations from previous years in its budget planning for 2017, to cover the payments of the first quarter in 2018.

Concerning the qualitative shortcomings in a procurement procedure in the S2R JU, the JU explained that it decided not to introduce a minimum financial capacity in order not to discourage the participation of SMEs to the call for tender. In addition, in this procedure one lot was cancelled because the technical solution proposed by the winning tender allowed to merge the services planned initially for two lots into one lot. This solution resulted in saving financial resources[90].

d. Follow-up of recommendations issued by the Court of Auditors and by the Discharge Authority

On 31 December 2018, DG MOVE was assigned as a lead DG for 66 recommendations stemming from special reports issued between 2015 and 2017 or from the successive discharge resolutions.

No recommendation stemming from the special reports was significantly overdue.

A follow-up of the state of implementation of these recommendations, performed in January 2019, showed that 8 recommendations could be closed, whereas 29 were partially implemented.

The recommendations were implemented as explained below:

SR 1/2015 Inland Waterways Transport:

Two audit recommendations are outstanding at the end of the year, one due in 2020, related to funding priorities, and one due in 2023, related to the development of future strategies Progress made in 2018 included the completion of the good navigation status study and the approval of the revised TEN-T corridors work plans.

SR 8/2016 Rail Freight:

None of the eleven audit and four discharge recommendations were due in 2018. Eleven recommendations are partially implemented.

SR 23/2016 Maritime Freight:

Out of eight audit recommendations, five have been fully implemented and two partially implemented. Outstanding recommendations relate to the setting out of an EU-wide port development plan for core ports, that will be completed end 2020, to the monitoring of core port capacity, for which the relevant studies have been carried out and should be published in 2019, and the revision of the number of core ports, that can only occur in wider context of the revision of the TEN-Ts, by end 2023.

SR 13/2017 Single European traffic management system:

[90] This approach complied with Article 171 of the Financial Regulation ("Cancellation of a procurement").

Four of the audit recommendations remain open. Two of them, initially due by end 2018, relate to the ERTMS business case, that is being finalised. The recommendations were delayed by a few months to allow for the completion of final report. The other two recommendations are due in 2020 and 2023.

SR 18/2017 Single European Sky:

Good progress was made on this recent audit, with two out of 13 audit recommendations closed in 2018. These recommendations both related to the prioritisation of Research and Development activities and were addressed through the 2019-2021 Single Programming Document adopted in 2018. Five recommendations are partially implemented and should be completed by end 2019. Six recommendations are ongoing, and are mostly due by end 2020.

2.1.2.3 Overall conclusion

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

Although these audits resulted in key findings, it is noted that all very important recommendations issued by the IAS were accepted and have led to specific action plans being drafted to address the underlying issues.

Recommendations issued by the Court of Auditors and by the Discharge Authority were also systematically addressed.

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

2.1.3 Assessment of the effectiveness of the internal control systems

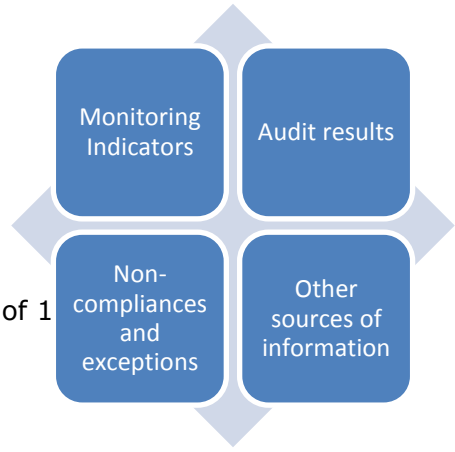
The Commission adopted an Internal Control Framework based on international good practice, aimed to ensure the achievement of policy and operational objectives. In addition, as regards financial management, compliance with the internal control framework is a compulsory requirement.

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

2.1.3.1 Source and methodology for the internal control self-assessment

The self-assessment was based on four main building blocks:

- The evaluation of **monitoring indicators,** based on the baseline (and targets) developed together with the 2018 Annual Management Plan;



- The evaluation of **audit results** (new or outstanding recommendations) from the IAS, the ECA, OLAF or DG BUDG; especially recommendations that may highlight systemic problems with internal controls;
- The analysis of registered **non-compliances and exception cases** that may reveal underlying deficiencies;
- The analysis of various **other sources of information** that include: assurance received from entrusted entities, interviews with the representatives of all Directorates and horizontal SRD services, the review of internal procedures, document and the intranet pages of DG MOVE.

The assessment also considered the annual conclusions of the Internal Audit Service on the functioning of the internal control systems and the results of the 2018 DG HR Staff Survey, which provide the basis for some of the monitoring indicators.

2.1.3.2 Internal Control Self-assessment results for 2018

Based on the approach described above and the work performed, all controls associated with the five components and the 17 principles were found to be present in DG MOVE for 2018. In addition, none of the components or principles was found to be affected by a critical or serious weakness. Concerning the effectiveness of the controls, the assessment concluded that:

- 15 principles were assessed **as fully operational and effective**; thus meeting the expectations of the internal control baseline;
- two principles (10 and 11) were assessed as **present but not fully effective**.

As regards **Principle 10** "Design of control activities"[91], the assessment noted a moderate deficiency related to the effectiveness of the business continuity planning process of DG MOVE. The assessment did not find any evidence that the plan was tested in 2018, thus there is no possibility to guarantee the correct implementation of the planned continuity measures, including the operation of the Crisis Management Team. DG MOVE developed an action plan to address the situation in 2019.

Principle 11 "Control over technology"[92] covers general controls over technology, such as IT governance, development and maintenance, as well as cybersecurity. The assessment noted the incomplete coverage of such controls over externally developed IT systems. These systems are not yet fully part of the formal IT governance framework of DG MOVE and thus may have weaknesses that could lead to cybersecurity incidents, loss of personal data or the failure of business continuity or disaster recovery controls. Corrective actions have been undertaken.

The presence of these issues led to the conclusion that this principle was affected by a moderate deficiency.

The self-assessment also noted improvements for **Principle 3** "Management structures and responsibilities"[93], **Principle 4** "Commitment to attract, develop

[91] The full title of Principle 10 is *"The Commission selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels."*
[92] The full title of Principle 11 is *"The Commission selects and develops general control activities over technology to support the achievement of objectives."*
[93] The full title of Principle 3 is "*Management establishes, with political oversight, structures, reporting*

and retain competent individuals"[94], **Principle 12** "Deploying control activities"[95] and **Principle 13** "Relevant and quality information"[96]. These improvement opportunities have no impact on the effectiveness of the control system as a whole and will be implemented within the framework of continuous improvements of the internal control system.

2.1.3.3 Risk management

DG MOVE put in place a risk assessment process ensuring an appropriate coverage of all its activities. No critical or significant risks were identified for 2018 that should be treated at the level of the DG. Each operational Directorate has established its own local risk register to capture and monitor their risks; the status of the mitigating actions is regularly reported to the Control Board of DG MOVE.

DG MOVE was also affected by the crosscutting risks identified at Commission level, in particular:

a) The preparation for the withdrawal of the United Kingdom from the European Union is of particular importance in the transport sector. As further detailed under section 1, the main actions taken take the form of specific legislative proposals, of technical expert seminars organised with the Council, the European Parliament and national experts and of dedicated stakeholder notices for all transport modes. DG MOVE also contributed to Communications on Brexit preparedness and contingency planning.

b) The actions taken as regards data protection are aligned with the corporate action plan of 7 November 2018 (see section 2.2.3.b "Data protection").

c) IT security: Corporate action in this respect includes the Digital Strategy adopted in November 2018 and the creation by the Commission of the Information Technology and Cybersecurity Board. The College adopted on 12 March 2019 the Corporate Information Security Strategy.

2.1.3.4 Exceptions and non-compliances

The functioning of the internal control systems was closely monitored and followed up throughout the year by the systematic registration of non-compliance events and exceptions. A total of **eleven non-compliance events** and **1 exception** was registered and analysed in the course of 2018.

The only **exception request** was related to the contract signed with the chair of the Performance Review Body (PRB) for the implementation of the SESAR project. In particular, this exception was essential to increase the number of working days of the current Chairperson. The duration of the contract, which runs from June 2017 to end of May 2019, was not changed. The root cause of the exception is the decision by DG HR not to grant Special Advisor status for the PRB Chair at the time when the PRB was set up.

The resulting risks were estimated to be low because of the legal provisions

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lines, and appropriate authorities and responsibilities in the pursuit of objectives."

[94] The full title of Principle 4 is "*The Commission demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.*"

[95] The full title of Principle 12 is "*The Commission deploys control activities through corporate policies that establish what is expected and in procedures that put policies into action.*"

[96] The full title of Principle 13 is "*The Commission obtains or generates and uses relevant quality information to support the functioning of internal control.*"

mandating such contract and considering that full transparency was ensured on the process of engaging the Chair. Moreover, DG MOVE will take into account the lessons learned for the selection and engagement of the next PRB Chair.

The analysis of the 11 non-compliance events revealed that the most common sources of errors relate to:

- Organisation of meetings (2 cases, compared to 7 cases in 2017);
- Missions procedures[97] (3 cases, compared to 6 cases in 2017);
- Delegations (1 case, compared to 4 cases in 2017)
- Contractual and financial procedures (5 cases, compared to 3 in 2017).

The potential risks resulting of these errors were either evaluated to be low or compensating controls were introduced to minimize the residual risk. Compared to the number of comparable transactions (number of meetings organised, number of missions performed), the number of non-compliance cases remains relatively low. The number, nature and typology of the incidents are not considered as indicative of systematic control issues.

Figure 2: The trend in non-compliance cases 2015-2018

The decrease in number of registered cases between 2016-2018 may be attributed to the awareness raising campaign on internal control, risk and fraud prevention matters. The campaign, including newsletters and lunchtime conferences on internal control-related topics, started in 2017 and could be one of the factors that contributed to the decline in the number of cases.

[97] e.g. wrong encoding of mission data or unforeseen changes in schedules.

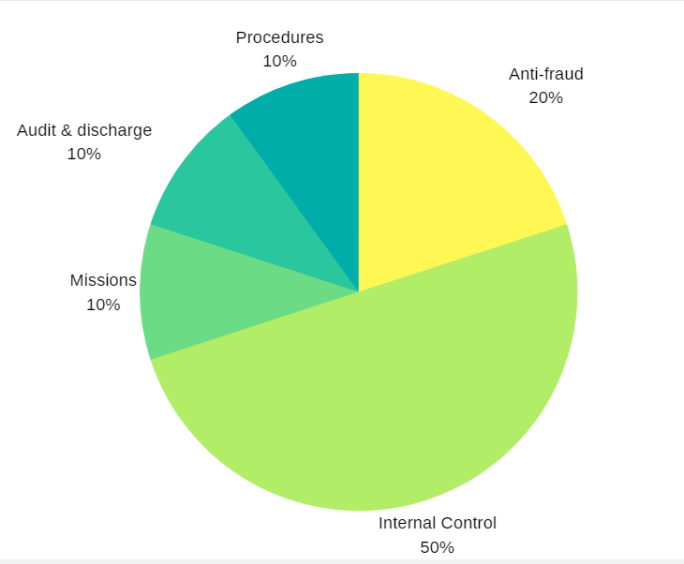

Figure 3: Topics covered in 2018 by the monthly Internal Control Newsletters

2.1.3.5 Conclusion on the internal control system

Based on the methodology and information sources described above, DG MOVE has assessed its internal control system during the reporting year and has concluded that it is effective and that the components and principles are present and functioning as intended with some modifications needed. Moderate deficiencies were observed for Component 3 'Control Activities', due to the issues noted with Principle 10 "Design of control activities" and Principle 11 "Controls over technology".

No critical weaknesses were found in any of the components that could jeopardise the achievement of operational, financial or internal control objectives and prevent the Director-General from signing his declaration of assurance. The deficiencies noted with Principles 10 and 11 were assessed as "moderate"; considering the extent of the problem and the presence of compensating controls.

The self-assessment also noted opportunities for improvement areas for four other principles. These issues were not assessed as deficiencies and have no impact on the overall assurance.

Overall, the assessment establishes that the internal control system of DG MOVE provides reasonable assurance that the resources 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 achievement of operational objectives as well as the legality and regularity of the underlying transactions.

Based on the scope, methodology and result of the 2018 self-assessment, as described above, this report concludes that in 2019 there is no need to apply changes to the internal control architecture and to the financial circuits, aside from the mitigating actions and improvements identified in the present report.

2.1.4 Conclusions on the impact as regards assurance

This section reviews the assessment of the elements reported above (in sections 2.1.1, 2.1.2 and 2.1.3), the sub-conclusions above, and draws the overall conclusion supporting the declaration of assurance and whether it should be qualified with reservations.

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

Overall, the controls carried out by DG MOVE for the management of the budget, whether implemented directly or indirectly, were effective and efficient for the reporting year. The resources assigned in 2018 to the activities described in this report were used for their intended purpose and in accordance with the principles of sound financial management. The control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions, safeguarding of assets and information and the prevention, detection and correction of fraud and irregularities.

The AOD's conservative assessment of the amount of relevant expenditure during the year not in conformity with the applicable contractual and regulatory provisions at the time the payment estimates the overall amount at risk at closure at EUR 2.55 million or 0.65% of the relevant 2018 expenditure.

DG MOVE updated its anti-fraud strategy in 2017, based on a specific assessment of its fraud risk. The relevant actions for 2018 are considered as fully implemented.

Regarding directly managed expenditure, DG MOVE has a limited exposure to FP7 and H2020. The assessment on legality and regularity for the directly managed FP7 programme returns a persistently high level of detected error. The impact of this amount at risk on the overall materiality at DG level remains limited.

The estimated error rate for H2020 remains within the 2-5% materiality threshold retained for this instrument. There is moreover evidence of a reduction in the number and level of errors made by beneficiaries. Considered the limited exposure of DG MOVE to this programme, the situation does not impair the assurance.

Assurance regarding the SES Advisory Bodies is drawn from the satisfactory performance and their compliance with the regulatory framework and with the contractual provisions. As for the SESAR Deployment Manager, the estimated error rate is based on the results of the audits on the first two specific grant agreements. This item represents a limited share of DG MOVE's expenditure. Corrective actions are ongoing, notably through an extensive audit coverage. The resulting amount at risk has a limited impact on the overall materiality at DG level and does not impair the overall assurance.

Regarding indirectly managed expenditure, there are no indications of any elements that would impair the assurance. The information received from the S2R and SESAR Joint Undertakings, from INEA, from the EIB and from the

decentralised agencies is considered as adequate and reliable.

The indirectly managed activities were overall economical. DG MOVE faced higher relative cost for its directly managed activities. However, these activities represent a very limited amount of expenditure and, at the same time, are complex enough to justify the deployment of comprehensive controls.

DG MOVE has put in place a risk assessment process ensuring an appropriate coverage of all its activities. No critical or significant risks were identified in 2018 for DG MOVE.

DG MOVE assessed its internal control systems and concluded that the internal control framework is implemented and is functioning as intended, except for component 3 (Control Activities) as moderated deficiencies were observed for both principles 10 and 11. DG MOVE will monitor throughout 2019 the undertaken corrective actions.

In relation to the recommendations issued in 2018 by ECA and the IAS, none are considered to have a material impact on the declaration of assurance of DG MOVE. The recommendations stemming from the audit on the effectiveness of the set-up and supervision of S2R JU were implemented by the end of 2018. All accepted recommendations issued by the IAS have led to specific action plans addressing the underlying issues. Moreover recommendations issued by ECA and by the Discharge Authority were also systematically addressed. The current residual risk from the audit recommendations remaining open for DG MOVE does not impair the declaration of assurance.

The reservation on FP7, common to the Research Family, is maintained. Indeed, DG MOVE assessment on legality and regularity for FP7 returns a level of detected error which appears to be 'persistently high' over the years in terms of potential financial impact (exposure). Given the inherent risk related to a key modality of the programme (notably grants system's reimbursement mechanism based on eligible actual costs and the related risk of errors in the costs reimbursement claims submitted by the beneficiaries), the residual error is expected to remain above 2%, as well as the programme's estimated overall amount at risk *at closure* by the end of its lifecycle. However, the impact of this amount at risk on the overall materiality at DG level remains limited.

DG MOVE implements appropriate ex-ante and ex-post controls, to the extent that they remain cost-effective and do not affect the other programme objectives nor abandon the financial scheme. Besides, the legal framework for FP7 can no longer be modified as all grant agreements have been signed.

Therefore, under the prevailing risk environment and from a managerial point of view, DG MOVE's AOD can sign the Declaration – even with a reservation for the FP7 Programme (see section 2.1.5).

Overall Conclusion

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented.

The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance albeit qualified by a reservation concerning the Seventh Research Framework Programme (FP7).

2.1.5 Declaration of Assurance and reservation

DECLARATION OF ASSURANCE

I, the undersigned, Director-General of DG MOVE

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view[98].

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

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

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

However, the following reservation should be noted:

FP7: the residual error rate observed by ex-post controls on grant agreements signed under the Seventh Research Framework Programme is higher than the control objective of 2%.

Brussels, date

Henrik HOLOLEI

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

DG MOVE	Reservation on FP7
Title of the reservation, including its scope	Reservation concerning the rate of residual errors with regard to the accuracy of cost claims in Seventh Framework Programme (FP7) grant agreements.
Domain	Direct management of FP7 grants
Programme in which the reservation is made and total (annual) amount of this programme	06.03 Horizon 2020 – Research & innovation related to transport Payments made in 2018 for FP7 grants amount to EUR 0.22 [99] million
Reason for the reservation	At the end of 2018, the residual error rate is not below the materiality threshold foreseen for the multi-annual period (2%).
Materiality criterion/criteria	The materiality criterion is the residual error rate, i.e. the level of errors that remain undetected and uncorrected, by the end of the management cycle. The control objective is to ensure that the residual error rate on the overall population is below 2% at the end of the management cycle. As long as the residual error rate is not below 2% at the end of a reporting year within the FP's management lifecycle, a reservation would be made.
Quantification of the impact (= actual 'exposure')	Based on the results of audits, it is estimated that the Residual Error Rate is **3.20 % for FP7 projects.** This rate does not take into account corrections in favour of beneficiaries. The maximum impact is calculated by multiplying the residual error rate in favour of the Commission by the amount of FP7 payments and clearings of previous pre-financing in 2018 (in total: EUR 6.49 million). The estimated amount at risk in 2018 is **EUR 0.21 million**.
Impact on the assurance	Legality and regularity of the affected transactions, i.e. only payments made against cost claims (interim payments and payments of balance). The impact on assurance is limited by the reduced net financial impact that will occur in some cases where eligible expenditure is limited by budget ceilings. The amount at risk of EUR 0.21 million represents **0.05%** of DG MOVE payments in 2018 (EUR 384.41 million). Consequently, reasonable assurance can be provided.
Responsibility for the weakness	The main reasons for errors are: - the complexity of the eligibility rules as laid down in the basic acts decided by the Legislative Authorities, based on the reimbursement of actual eligible costs declared by the beneficiaries; - the fact that there are many thousands of beneficiaries making claims, and not all can be fully controlled. The different control provisions set out by the Commission services, along with the audit certificates on financial statements and ex-post audits, can mitigate these risks to a certain extent, but can never be

[99] The amount for the 06.03 ABB activity reported in Annex 3, table 2, column 2 'payments made' shows a total of EUR 166.18 million as it also includes other payments (e.g. H2020, contributions to SESAR JU and S2R JU) as well as payments to the ELENA facility and INEA, other operational expenditure for FP7 and H2020. The payments made under the ABB 0802 Horizon 2020 – Research for FP7 (amounting to EUR 1.41 million) cross-subdelegated by DG RTD are not taken into account in the amount affected by the reservation for DG MOVE.

	carried out on 100% of the cost claims received.
Responsibility for the corrective action	The possibilities to simplify the FP7 rules have been exhausted. The programme is now in its final stage of implementation: the total amount paid per year will be decreasing, and therefore the financial impact too. Audits may continue at a low level in case of the identification of potential irregularities in projects. However, no further actions are programmed.

2.2 Other organisational management dimensions

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

2.2.1 Human resource management

In 2018, DG MOVE continued the efforts and made substantial progress towards achieving the 2020 targets and indicators identified in the Strategic Plan, as indicated in the 2018 overview of outputs below.

In a context of staff reductions, DG MOVE will need to make major efforts in 2019 to ensure technical expertise in the current and future transport priority areas and various transport sectors. In 2019/2020, DG MOVE is considering organising an AD competition of specialised transport profiles relating to the areas that DG MOVE needs to cover.

The HR Modernisation project, implemented according to the Communication on synergies and efficiencies of April 2016, will finalise its pilot phase at the beginning of 2019.

During 2018, DG MOVE maintained a high level of staff engagement within the DG and ensured the well-being of staff.

2.2.2 Better regulation

The main activities linked to the Better Regulation objective in the Strategic Plan are described in Part 1 of this report and the indicators are presented in Annex 2.

2.2.3 Information management aspects

a. Information management

In October 2016 the Commission adopted the European Commission corporate strategy on information management[100]. The strategy states that *"data and information are to be considered as strategic assets by DGs and should be complete, reliable, relevant and easy to retrieve"* (Strategic Plan Indicator 1[101]). DG MOVE widely reached the target for this indicator with 2.60% of documents unfiled thanks to a regular monitoring carried out by the CAD[102] throughout the year.

The strategy also establishes that: *"data, information and knowledge should be shared as widely as possible within the Commission"* (Strategic Plan Indicators 2 and 3[103]). *"This should be done unless there are legal requirements or clear justifications for access to be restricted, in which case those restrictions should be enforced rigorously and uniformly".* Important awareness actions were launched to ensure the required balance between the need-to-share and the need-to-protect

[100] Communication on Data, Information and Knowledge Management at the European Commission (C(2016)6626 final)
[101] Under "Information management aspects"
[102] Centre d'administration des documents.
[103] Ibid.

principles on information management. In this context, a specific taskforce on files accessibility was established and the review on HAN[104] files accessibility was launched. Preliminary results of the review were presented to the Management in November 2018 and files are still currently under assessment. The final results are expected in the first quarter of 2019. Until DG MOVE management endorses the files accessibility policy, it has been decided that no access to DG MOVE files will be granted to other Directorates-General. This explains why, while files accessibility within DG MOVE fully meets the target of the Strategic Plan 2016-2020 (Indicator 2), no files are currently shared with other Directorates-General (Indicator 3).

In terms of awareness actions, the dashboard on Information Management indicators was created and uploaded quarterly into the e-Domec correspondents collaborative space. In addition, the e-Domec correspondents' network in DG MOVE held three workshops.

The 2018 assessment of paperless actions implemented in DG MOVE showed very good results on the efficiency of the electronic workflows: increase for e-signatory use, better use of paperless options, and decrease of paper signatories in parallel. Paper storage and circulation were reduced by the disposal of 649 scanned incoming paper mails. Regarding archives, 477 financial files were transferred to the intermediate archives according to their preservation requirements.

In addition, a specific workshop was organised in collaboration with the Historical Archives and a guided visit to the Historical Archives in Kortenberg was provided to the e-Domec correspondents in DG MOVE.

b. Data protection

The new internal Data Protection Regulation 2018/1725 was published on 21 November 2018 and entered into force on 11 December 2018. In the autumn 2018, the Commission established an Action Plan to prepare all Commission services for the entry into force of the new data protection regulation. The Action Plan was adopted on 7 November 2018[105].

A new Data Protection Coordinator (DPC) was appointed on 22 November 2018. The DPC was provided with the necessary support and resources, and has a clear reporting line to senior management.

In terms of actions already taken to ensure compliance with the new data protection rules, the DG MOVE conducted, an exercise of mapping of personal data processing activities[106].Based on this exercise the DG MOVE established an inventory of existing data processing activities.

The data protection management system (DPMS) was launched by the Commission's Data protection Officer mid of December 2018. Following the entry into service of the DPMS, DG MOVE notifications are currently being converted into records.

The existing privacy statements has been reviewed and currently being updated if necessary as a part of the conversion of notifications into records, moreover new

[104] Hermes-Ares-Nomcom.
[105] The Commission's Data Protection Action Plan (C(2018) 7432 final) for the implementation of Regulation (EU) 2018/1725 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC.
[106] Ares(2018)5968577 Data Protection: update of personal data processing operations in DG MOVE.

ones have been drafted to ensure the transparency towards data subjects e.g. during various conferences organized by DG MOVE.

While the conversion of notifications into records and updating privacy statements, DG MOVE is paying particular attention as regards lawfulness, data minimisation and storage limitation as well as DG MOVE ensures that information provided to the data subjects is concise and transparent using clear and plain language.

In addition, DG MOVE established an inventory of all processing operations requiring international transfer to the international organisations.

In order to raise awareness on the revised data protection rules within DG MOVE, the DPC provided information sessions on the data protection matters to the senior management and to the units on demand. Moreover, the DPC regularly advised on data subject rights and data controllers' obligations following various requests and questions coming from DG MOVE staff.

Furthermore, DG MOVE identified possible joint controllership for particular personal data processing operation with the Research and Innovation Family Directorates of the Commission, Executive Agencies and Joint Undertakings regarding the management of research projects. In this context, the DG MOVE DPC was appointed as member in the CSC Executive Committee group.

The DPC also participated to the meetings organised by the office of the Data Protection Officer (DPO) of the Commission, as well as the relevant working groups meetings in the field of data protection.

2.2.4 External communication activities

Transport policy and the measures we take are about people, be it commuters, holiday-goers, workers in transport services and industry, innovators, etc. Our aim is to explain in a clear and simple way the connection between transport and the everyday lives of ordinary people and show them how we ensure that transport is more efficient, safe, secure and environmentally friendly.

All major communication activities were directly linked to the political priorities of the Juncker Commission and to the key deliverables of DG MOVE in 2018. A comprehensive list can be found in DG COMM's Sharepoint platform.

Twitter is one of our main channels to reach our audiences (mainly stakeholders, but in certain cases also general public) directly with information on all key deliverables. Twitter is also one of the main tools to support different Corporate Communication Campaigns, like #investEU. The number of Twitter followers increased more than 10 per cent compared to 2017.

A key deliverable for the first half of 2018 was the third Mobility Package. End of 2016, we launched a web portal as the single access point to all information about the initiatives. The site was particularly visited by stakeholders, with a high share of returning visitors. Although the road safety played an important role in the third Mobility Package due to the different format the coverage of the road safety statistics was more limited.

The European Mobility Week, taking place every September, had a strong focus on decarbonisation and investment. In 2018 the additional focus was also on multimodality. Despite the fact that in 2017 impressive number of cities participated, the level of participation still went up in 2018, exceeding our expectations.

A "digital" passenger rights campaign continued in 2018, focusing on on-line communication tools (Facebook, Twitter, YouTube, etc.). Following recent updates to the legislation, the campaign fulfils our obligation to inform passengers about their rights. The main target of the campaign is to increase the visibility and the use of the dedicated passenger rights application. The target was met with 243.341 downloads compared to the 240.000 expected downloads.

TEN-T Days in Ljubljana focused on the importance of investment in transport. Transport is one of the key topics in the #investEU Corporate Communication campaign. DG MOVE supported the message of the corporate campaign during this major event when reaching out to key stakeholders such as financial and infrastructure experts, cities, towns and regions as well as decision-makers.

2.2.5 Examples of initiatives to improve economy and efficiency

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

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

DG MOVE is continuously working to improve the efficiency and economy of its operations. The following three initiatives highlighted in the Management Plan 2018 show how these principles are implemented by DG MOVE:

On 4 December 2017, DG MOVE adopted an internal **strategic document on the DG's relations with decentralised agencies and Joint Undertakings**, which encompasses governance, core businesses as well as management and financial issues. It is expected, through this supervision strategy, to achieve a similar or better level of assurance as to the delivery of financial and non-financial inputs from the entrusted entities, while offering the potential to reduce the cost and/or improve the effectiveness of its supervisory processes.

2018 was the first year of implementation of the 2017 DG MOVE strategy. In this respect, DG MOVE organised two workshops on the internal control framework (April 2018) and on human resources management (October 2018) for decentralised agencies and Joint Undertakings.

The rationale behind this initiative is to favour preventive controls as they are considered more cost effective than corrective controls. These controls are mainly effected through a systematic risk analysis and monitoring. They cover awareness raising (budget programming, including budget preparation and activity planning, as well as execution), SMART objectives, KPIs, periodic reporting and enhanced capacity (advice, training, exchange of best practices, etc.). The resulting benefits are qualitative, although the prevention of issues and the avoidance of the associated costs result in non-quantifiable cost savings.

The experience from the 2018 exercise shows clear improvements as regards

efficiency:

- A clear and coordinated assessment of the risks at the DG level thanks to a fruitful coordination of the DG MOVE services.
- Some risks go beyond the boundary of a single DG or agency or JU such as inter-agency Service Level Agreements which the parent DG's, which is not a party to this agreement, cannot supervise.
- Better understanding in DG MOVE and in the entrusted entities on their respective constraints. Indeed, a given issue triggers different risks for the parent DG and for the entrusted entity as responsibilities differ.
- Timely and better information from the entrusted entities on management issue, including the 2019 budget requests and Single Programming Documents.
- Improved communication flows between entrusted entities and JU's and DG MOVE prior to the Committees and Boards meetings, resulting in a smoother decision-making process in the Boards. This is especially valid for EMSA, EASA, S2R JU and SESAR JU. ERA is also making progress.
- The supervision strategy offers the necessary mechanism to ensure business continuity in the DG.

In addition, in the rail transport area, DG MOVE decided in 2018 1) the partial outsourcing of the first stage verification of the transposition of the Directive 2012/34/EU establishing a single European railway area as well as 2) the concentration of the obligatory notification of relevant national implementation rules and standards for the implementation of the technical pillar under the 4th Railway package (4RP) at the European Union Railways Agency (ERA).

On the first item, DG MOVE outsourced the **first stage verification of the transposition of Directive 2012/34/EU establishing a single European railway area**, for nine Member States and one candidate country. This is a comprehensive Directive with 67 articles which are transposed to national law often through many separate acts. The final report under the framework service contract for legal assistance was submitted on 26 October 2018. The contract concerned the verification of more than one thousand five hundred pages. Should the same task have been performed internally, it was assessed that it would have required at least one year FTE of statutory staff, plus extra resources for legal supervision, quality check, and translations. On this account, the outsourcing was considered a cost-effective measure. This optimal use of outsourcing has been reiterated with the conformity assessment of the transposition of Directives 2014/45/EU, 2014/46/EU and 2014/47/EU on roadworthiness testing.

On the second item, the Commission fully relied on ERA to deliver the ongoing work involved in **identifying redundant national technical and operational rules in the railway sector**. Over 14 000 obsolete or redundant national rules are concerned. So far, national rules concerning in particular railway rolling stock have been reduced by 90% and the work is still ongoing (see also detailed chart in box under specific objective 1 in part 1 of this report). ERA also manages the IT environment for Member States to notify technical legislation. Moreover, the Commission is investigating further options for rendering the main assessment of correct and timely transposition of the technical pillar of the 4th Railway Package by the double deadlines of June 2019 and 2020, as efficient as possible.