

DG GROW Annual Activity Report 2018

ANNEXES

ANNEX 1: Statement of the Director in charge of Risk Management and Internal Control

"I declare that in accordance with the Commission's communication on the internal control framework , I have reported my advice and recommendations on the overall state of internal control in the DG/Executive Agency to the Director-General/Executive Director.

I hereby certify that the information provided in the present Annual Activity Report and in its annexes is, to the best of my knowledge, accurate and complete"

Brussels, 28 March 2019

e-Signed

Valentina Superti

Director Resources and Internal Control Coordinator of DG for Internal Market, Industry, Entrepreneurship and SMEs

ANNEX 2: Reporting – Human Resources, Better Regulation, Information Management and External Communication

Human Resources

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

Indicator 1: Percentage of female representation in middle management

Source of data:

Baseline (2015) 19%	Target 35% by 2019 <i>Indicate targets for each Directorate-General adopted by the Commission on 15 July 2015 – SEC(2015)336</i>	Latest known results 42% female representation in DG GROW middle management at end-2018
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Indicator 2: Percentage of staff who feel that the Commission cares about their well-being³⁰

Source of data: Commission staff survey

Baseline (2014) 35%	Target 50% by 2019	Latest known results 42%
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Indicator 3: Staff engagement index

Source of data: Commission staff survey

Baseline (2014 64%)	Target 75% by 2019	Latest known results 68%
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Main outputs in 2018

Description	Indicator	Target	Latest known results
To ensure an engaging environment and good working conditions, with active communication	Use of collaborative tools, percentage of staff using DG GROW's collaborative platform - GROWnet	90% of all staff using DG GROW's collaborative platform	End of 2018: - 99% registered users - out of those - 78% were active users ³¹
Awareness-raising and pro-active talent identification for a more balanced middle management	Number of female candidates applying for middle-management positions	>25% of the candidates	47% female candidates end-2018 (39% end-2017)
	Number of female candidates recruited on middle-management positions	40% of female middle managers	42% of female middle managers end-2018 (38% end-2017)
	Geographical balance of middle management	Increase the number of nationalities represented in middle management and deputy head of unit positions	Maintained stable at 19 nationalities (end-2018), compared with 19 (end-2017) and 16 (end-2016)
To nurture the potential of our staff and offer career	Average number of applications for internal publications	< 10% of non-successful publication	53% of internal publications concluded without appointment in 2018 (27 in 2017)

³⁰ This indicator may be replaced by a fit@work index on which DG HR is currently working.

³¹ Users who have viewed at least one document, discussion, blog post in the previous 30 days.

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development perspectives, promoting a culture of internal mobility	Number of persons on their job for more than 5 years	Reduce the number by the end of the year via career guidance and awareness raising of internal publication	Decreased to 191 persons (end-2018) (198 at end-2017)
To develop leadership potential	Percentage of managers having followed individual coaching in the last three years	60%	53% in 2018 (50% in 2017)
	Percentage of deputy heads of unit having followed leadership courses in last three years	50%	9% at end-2018 (19% at end-2017)

Better Regulation

Objective: Prepare new policy initiatives and manage the EU's acquis in line with better regulation practices to ensure that EU policy objectives are achieved effectively and efficiently.

Indicator 1: Percentage of Impact assessments submitted by DG GROW to the Regulatory Scrutiny Board (RSB) that received a favourable opinion on first submission.

Explanation: The opinion of the RSB will take into account the better regulation practices followed for new policy initiatives. Gradual improvement of the percentage of positive opinions on first submission is an indicator of progress made by the Directorate-General in applying better regulation practices.

Source of data: Internal monitoring

Baseline 2015	Target 2020	Latest known results
53% = Commission average in 2015, DG GROW submitted 1 IA, which received negative opinion = 0%	Positive trend compared to Directorate-General's 2016 situation = 50% positive for DG GROW (2 positive out of 4 IAs submitted in total)	2018 = 86 % positive (6 out of 7) 2017 = 40% positive (2 positive out of 5)

In 2018, 86% of the IAs submitted by DG GROW to the RSB received a favourable opinion on first submission. In absolute terms, these are 6 positive out of 7 IAs. The target for 2020 is to improve over the 2016 result of 50%. There has thus been a clear improvement against the baseline and the following years. This suggests that significant progress has been made by the DG in applying this Better Regulation tool. The Directorate-General makes good progress to achieve the 2020 target. The DG GROW data are better than the Commission overall percentages of positive first submissions: 2017 = Commission average: 57% positive.

Indicator 2: Percentage of the Directorate-General's primary regulatory acquis covered by retrospective evaluation findings and Fitness Checks not older than five years.

Explanation: Better Regulation principles foresee that regulatory acquis is evaluated at regular intervals. As evaluations help to identify any burdens, implementation problems, and the extent to which objectives have been achieved, the availability of performance feedback is a prerequisite to introduce corrective measures allowing the acquis to stay fit for purpose.

Relevance of Indicator 2: The application of better regulation practices would progressively lead to the stock of legislative acquis covered by regular evaluations to increase.

Source of data: Internal monitoring

Baseline 2015	Target 2020	Latest known results
Between 2010 and 2014, 42 of 140 of the primary regulatory items under the responsibility of DG GROW have been subject to finalised evaluations or Fitness checks = 30%	Positive trend compared to interim milestone	Between 2014 and 2018, 35 of 122 of the primary regulatory items under the responsibility of DG GROW have been subject to finalised evaluations or Fitness checks = 29%

Between 2014 and 2018, a positive upward trend could not be achieved compared to the 30% baseline of 2015. This may be due to the changing number of primary regulatory items (121 in 2017 compared with 142 in 2015) as legislation is constantly repealed or merged.

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Main outputs in 2018			
Description	Indicator	Target	Latest known results
Finalise the REFIT legislative actions and the REFIT evaluations (note that the Commission lists only the legislative REFIT actions in the Commission Work Programme (CWP))	Finalisation of the REFIT actions	100% of the planned REFIT actions finalised	DG GROW had no legislative REFIT actions in the CWP 2018. DG GROW finalised 5 out of 12 evaluations planned for 2018 = 42 % (47% in 2017)

Information Management

Objective: Information and knowledge in your DG is shared and reusable by other DGs. Important documents are registered, filed and retrievable			
Indicator 1 (mandatory – data to be provided by DG DIGIT): Percentage of registered documents that are not filed³² (ratio)			
Source of data: <i>Hermes-Ares-Nomcom (HAN)³³ statistics</i>			
Baseline 2014	Target	Latest known results	
1,607 over a total of 46,025 documents registered in 2015 (equals to 3,49%)	0%	204 documents over 35,977 documents registered in 2018 (equals to 0.0057%)	
Indicator 2 (mandatory - data to be provided by DIGIT): Percentage of HAN files readable/accessible by all units in the Directorate-General			
Source of data: <i>HAN statistics</i>			
Baseline	Target	Latest known results	
16,333 files over a total of 17,217 (equals to 94.87%)	98%	25,883 files out of 27,567 (equals to 93.89%)	
Indicator 3 (mandatory data to be provided by DIGIT): Percentage of HAN files shared with other DGs			
Source of data: <i>HAN statistics</i>			
Baseline	Target	Latest known results	
7 files over a total of 17,217 (= 0.04%)	2.0%	550 files out of 27,567 (equals to 0.020%)	
Indicator 4: Percentage of units using collaborative tools to manage their activities			
Source of data: Internal monitoring			
Baseline	Target	Latest known results	
New indicator	2020: 75%	(Data to measure this indicator are not available)	
Indicator 5: Existence and degree of implementation of a documented strategy to harness knowledge of Directorate-General's staff			
Source of data: Internal monitoring			
https://connected.cnect.cec.eu.int/community/grow/informatics/projects/data-information-and-knowledge-asset-strategy			
Baseline	Target	Latest known results	
Information and Knowledge management strategy (IKM) to be	75-80% of the Directorate-General benefits from the IKM	Senior Management Meeting (26/06/2018) on Governance of	

³² Each registered document must be filed in at least one official file of the *Chef de file*, as required by the [e-Domec policy rules](#) (and by ICS 11 requirements). The indicator is to be measured via reporting tools available in Ares.

³³ Suite of tools designed to implement the [e-Domec policy rules](#).

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approved by IT Steering Committee in 2016 Q2	infrastructure by 2019	Data and Knowledge Assets in DG GROW with the participation DSG and DDG of DG DIGIT reviewed the state of play and next steps in the Implementation of GROW Data Strategy. The ITSC approved the Midterm review of the Data Strategy's implementation.
Indicator 6 (optional): Percentage of briefings managed in accordance with a uniform business process and using a common tool (DG GROW uses the BASIS tool)		
Source of data: Internal monitoring		
Baseline 2015	Target	Latest known results
1800 briefings of which 95% were managed in BASIS	100%	1600

Main outputs in 2018: (as in the Management Plan for 2018)			
Description	Indicator	Target	Latest known results
Reinforcement of the knowledge management capacity in DG GROW Full use of the functionalities of the CONNECTED platform-GROWnet.	Further use of the CONNECTED – GROWnet functionalities: - complete users profiles - number of active users, - number of collaborative places.	1) Reach > 50% of complete profiles on GROWNet by end 2018; 2) 60% active users by the end of 2018; 3) at least 10 new collaborative places (groups and spaces) created.	1) The level of approx. 45 % of complete users profiles on GROWNet was achieved by the end 2018 2) There were 1012 registered users of GROWnet by the end of 2018, including: - 799 of active users; - 268 of participating users and - 87 of contributing users ³⁴ . The created content concerned mainly documents (51%) and blogs (46%). 3) A total of 102 groups were created on GROWnet in 2018.

³⁴ Active users - users who have viewed at least one document, discussion, blog post in the previous 30 days. Participating users – users, who have commented on, replied to, liked, rated/voted, edited, or created at least one document, discussion, blog post in the previous 30 days. Contributing users - users who have created at least one document, discussion, blog post in the previous 30 days.

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Leading contribution to the Data analytics and business intelligence part of the Commission's strategy on data, information and knowledge management by finalizing the inventory and evaluation of DG GROW knowledge assets:	1) GROW data assets are mapped, valued and additional needs are identified 2) Available assets are shared across-Directorates-General, in agreement with data owners	1) Assessment of the added value and quality of the Directorate-General information assets, - including data and information gaps - completed by the end of 2018 2) Double at least the number of datasets which are shared on the EU Open Data Portal by the end of 2018	1) The classification of the stock of data and information assets was completed in 2018, and a pilot of the assessment of the use and policy value of these assets was launched with Dir B and Dir R in 2018 Q3 2) 25 datasets published on Open Data Portal in 2018
Common vocabularies defined in line with the corporate interoperability standards by ISA2 and the Publication Office.	Common Vocabulary defined for DG GROW	Common Vocabularies made together with Publication Office accessible by DG GROW's members	Ongoing based on use of ARIS (business process modelling tool)
Corporate search from DIGIT, used for searching information in ARES, GROWNet, files on shared drives.	Guidelines for keeping the common vocabularies up-to-date	Introduced guidelines on common vocabularies practices to support PO defining common vocabularies used within the Directorate-General	Corporate IT tool (ARIS) was introduced in 2018 in DG GROW to define common vocabularies used in IS
Corporate search from DIGIT, used for searching information in ARES, GROWNet, files on shared drives.	User satisfaction with the corporate search services from feedback from the pilot users	Completed Proof of Concept of Corporate Search at volunteered units of DG GROW by end of 2018	Ongoing in line with the state of development of the Corporate Search by DG DIGIT

External Communication

Objective: Citizens perceive that the EU is working to improve their lives and engage with the EU. They feel that their concerns are taken into consideration in European decision making and they know about their rights in the EU.

Indicator 1: Percentage of EU citizens having a positive image of the EU

Definition: Eurobarometer measures the state of public opinion in the EU Member States. This global indicator is influenced by many factors, including the work of other EU institutions and national governments, as well as political and economic factors, not just the communication actions of the Commission. It is relevant as a proxy for the overall perception of the EU citizens. Positive visibility for the EU is the desirable corporate outcome of Commission communication, even if individual Directorate-Generals' actions may only make a small contribution.

Source of data: Standard Eurobarometer (DG COMM budget) [*monitored by DG COMM [here](#)*].

Baseline: November 2014	Target: 2020	Latest known results
Total "Positive": 39% Neutral: 37 % Total "Negative": 22%	Positive image of the EU ≥ 50%	Total "Positive": 43% Neutral: 36 % Total "Negative": 20%

EU Open For Business campaign

The EU Open for Business campaign ran in Sweden, Croatia, Finland, Latvia and Romania. The campaign addressed two audiences: business intermediaries (trusted advisors) and entrepreneurs running businesses with high growth potential.

The indicators used for this campaign measure outreach to and activity by entrepreneurs in terms of the two calls to action of the media campaign, namely to contact the Enterprise Europe Network partner in their country for advice on markets, finance and

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partnerships, or to explore the potential of the Single Market through the Your Europe Business Portal.

Main outputs in 2018 for the "Open for Business" communication campaign:			
Description	Indicator	Target/benchmark	Latest known results
Raising awareness through radio advertising	Number of radio listeners (audited figures for selected stations)	3.5 million listeners per day (spread over 5 countries)	Up to 8 million of potential contacts among target audience (traditional media)
Raising awareness through print advertising	Number of newspapers readers (total readership of all selected outlets in 5 target countries).	7 million readers (readers meaning potential readers of the printed material)	Up to 8 million of potential contacts among target audience (traditional media)
Raising awareness through online advertising	Number of views/impressions on social media.	8 million of ad – impressions/views (note that one individual may generate multiple impressions)	227 million ad impressions 2 044 799 video views leading to YEB portal
Raising awareness through online advertising	Number of actions (clicks, likes, visits etc.)	More than 90.000 (1.4% action ratio, compared to 0.8% industry average)	10 206 social media engagements 2 132 818 link clicks (SOLVIT, YEB)
Call for action – visit YOUR EUROPE BUSINESS portal	Increase of web-traffic on YOUR EUROPE BUSINESS portal	At least 1000 additional visits per month (during the implementation of the campaign)	1 021 069 YEB additional visits
Call for action – contact the Enterprise Europe Network in your country	Number of calls/emails received by the Enterprise Europe Network (EEN) in the target countries	1000 (these are SMEs who are truly engaged and committed to using EEN services)	1 338 interactions with the campaign material online (Dropbox)

Promotion of citizens' and businesses' EU rights on the occasion of the 25th anniversary of the EU Single Market"

The campaign presented in a fun, friendly way the concrete benefits of the Single Market for both *individuals* and *businesses*. For individuals it presented the advantages that the Single Market brings in everyday lives. For businesses it showed how the Single Market eases access to markets, finance, and partners. Links to the [Your Europe](#) portal, DG GROW website, Erasmus for Young Entrepreneurs etc. allowed everyone to get more information and help on the EU rights the Single Market provides.

In total, nineteen messages targeting EU citizens, particularly young people between 18 and 35 years old, have been posted on the social media profiles of DG GROW, other Commission Directorate-Generals and the European Commission's central accounts. Messages were also translated in several EU languages and shared through social media channels of the Representations of the European Commission in the Member States.

The main objective of the campaign was to portray Single Market in a friendly way with simple messages to showcase benefits for its citizens, particularly youth. Therefore, "impressions" were the main metric that was tracked.

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Social media campaign has reached almost 5 million Facebook users through DG GROW Facebook profile in total.

Main outputs in 2018 for the campaign "Promotion of citizens' and businesses' EU rights on the occasion of the 25th anniversary of the EU Single MarketOpen for Business"			
Description	Indicator	Target/benchmark	Latest known results
Social media outreach (Your Europe)	- Link clicks to Your Europe - Cost-per-click (advertising)	500-2000 link click/Facebook post below € 0.20	DG GROW advertised posts – Facebook No. of posts: 18 Total impressions: 4,710,659 Total engagements: 1,177 Cost per impression: 0.02 € DG GROW organic posts: No of posts: 19 Total impressions: 81,713 Total engagements: 1,555
Social media outreach (SOLVIT)	- Video views - Link clicks to SOLVIT website - Submitted cases	500-1000 views/video 150-500 link click/Facebook post	/
Your Europe Facebook quiz	- Number of participants	over 20,000 players	26,000 players

Communication spending

Annual communication spending (based on estimated commitments):			
Baseline (Year n-1): 2017	Target (2018)	Total amount spent in 2018	Total of FTEs working on external communication
€9.177.747 (As in the AAR 2017)	€8.565.000 (as in the MP 2018)	€8.565.000**	12*

*FTEs in the communication unit: press, web and external communication staff.
**Estimate

ANNEX 3:Annual accounts and financial reports

AAR 2018 Version 1

Annex 3 Financial Reports - DG GROW - Financial Year 2018

Table 1 : Commitments

Table 2 : Payments

Table 3 : Commitments to be settled

Table 4 : Balance Sheet

Table 5 : Statement of Financial Performance

Table 5 Bis: Off Balance Sheet

Table 6 : Average Payment Times

Table 7 : Income

Table 8 : Recovery of undue Payments

Table 9 : Ageing Balance of Recovery Orders

Table 10 : Waivers of Recovery Orders

Table 11 : Negotiated Procedures (excluding Building Contracts)

Table 12 : Summary of Procedures (excluding Building Contracts)

Table 13 : Building Contracts

Table 14 : Contracts declared Secret

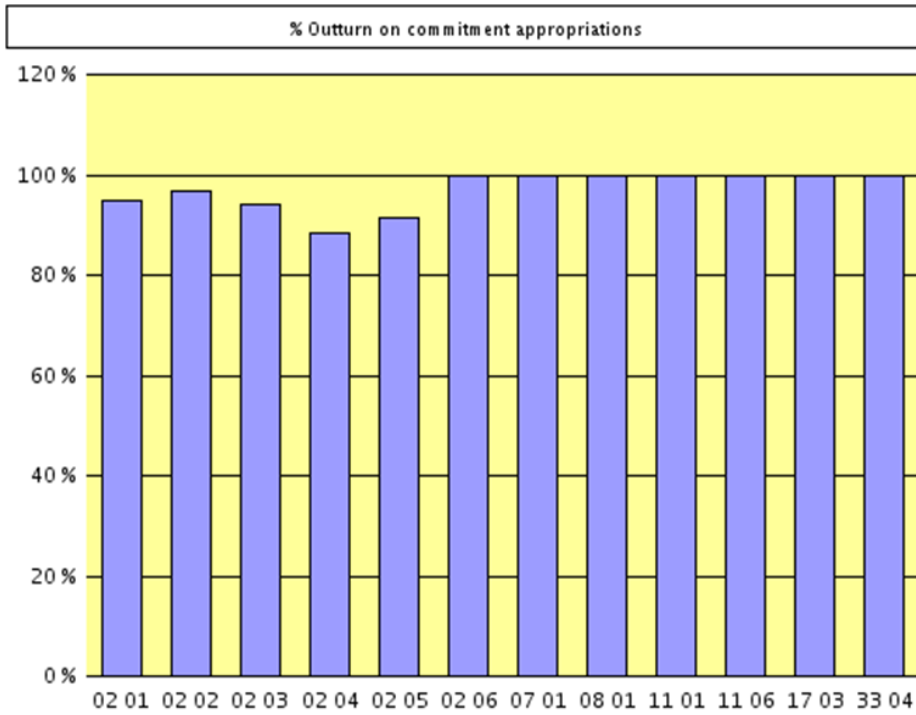
Table 15 : FPA duration exceeds 4 years

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TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2018 (in Mio €)					
			Commitment appropriations authorised	Commitments made	%
			1	2	3=2/1
Title 02 Internal market, industry, entrepreneurship and SMEs					
02	02 01	Administrative expenditure of the 'Internal market, industry, entrepreneurship and SMEs' policy area	38.09428661	36.11417576	94.80 %
	02 02	Competitiveness of enterprises and small and medium-sized enterprises (COSME)	278.6794559	269.6926535	96.78 %
	02 03	Internal market for goods and services	77.52069618	72.85596161	93.98 %
	02 04	Horizon 2020 - Research relating to enterprises	159.9643443	141.3717725	88.38 %
	02 05	European satellite navigation programmes (EGNOS and Galileo)	1005.705558	920.4066786	91.52 %
	02 06	European Earth observation programme	642.6924174	642.6904136	100.00 %
Total Title 02			2202.656758	2083.131656	94.57%
Title 07 Environment					
07	07 01	Administrative expenditure of the 'Environment' policy area	3.869	3.869	100.00 %
Total Title 07			3.869	3.869	100.00%
Title 08 Research and innovation					
08	08 01	Administrative expenditure of the 'Research and innovation' policy area	27.319558	27.319558	100.00 %
Total Title 08			27.319558	27.319558	100.00%
Title 11 Maritime affairs and fisheries					
11	11 01	Administrative expenditure of the 'Maritime affairs and fisheries' policy area	3.047	3.047	100.00 %
	11 06	European Maritime and Fisheries Fund (EMFF)	0.8	0.8	100.00 %
Total Title 11			3.847	3.847	100.00%
Title 17 Health and food safety					
17	17 03	Public health	2.802464	2.802464	100.00 %
Total Title 17			2.802464	2.802464	100.00%
Title 33 Justice and consumers					
33	33 04	Consumer programme	0.61275	0.61275	100.00 %
Total Title 33			0.61275	0.61275	100.00%
Total DG GROW			2241.10753	2121.582428	94.67 %

* Commitment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous commitment appropriations for the period (e.g. internal and external assigned revenue).

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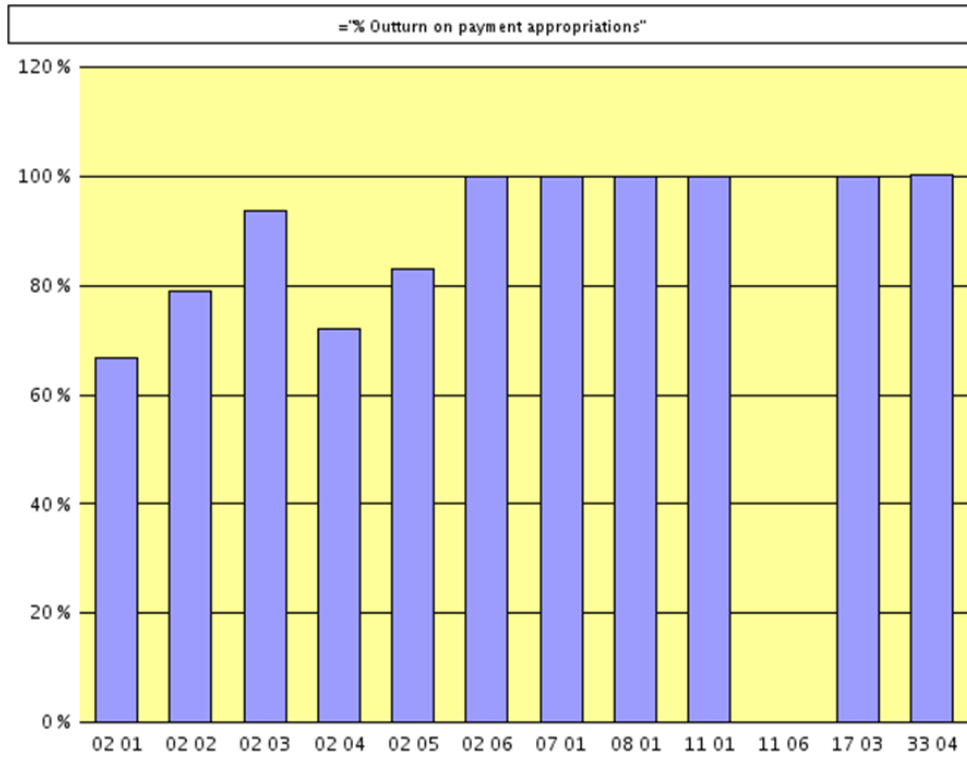


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TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2018 (in Mio €)					
Chapter			Payment appropriations authorised *	Payments made	%
			1	2	3=2/1
Title 02 Internal market, industry, entrepreneurship and SMEs					
02	02 01	Administrative expenditure of the 'Internal market, industry, entrepreneurship and SMEs' policy area	32.24124893	21.5185755	66.74 %
	02 02	Competitiveness of enterprises and small and medium-sized enterprises (COSME)	224.1167943	176.7882064	78.88 %
	02 03	Internal market for goods and services	72.31861982	67.65438525	93.55 %
	02 04	Horizon 2020 - Research relating to enterprises	167.3944172	120.5935876	72.04 %
	02 05	European satellite navigation programmes (EGNOS and Galileo)	1197.474243	992.8842418	82.91 %
	02 06	European Earth observation programme	572.9645345	572.9634323	100.00 %
Total Title 02			2266.509858	1952.402429	86.14%
Title 07 Environment					
07	07 01	Administrative expenditure of the 'Environment' policy area	3.869	3.869	100.00 %
Total Title 07			3.869	3.869	100.00%
Title 08 Research and innovation					
08	08 01	Administrative expenditure of the 'Research and innovation' policy area	27.319558	27.319558	100.00 %
Total Title 08			27.319558	27.319558	100.00%
Title 11 Maritime affairs and fisheries					
11	11 01	Administrative expenditure of the 'Maritime affairs and fisheries' policy area	3.047	3.047	100.00 %
Total Title 11			3.047	3.047	100.00%
Title 17 Health and food safety					
17	17 03	Public health	2.79241628	2.79241628	100.00 %
Total Title 17			2.79241628	2.79241628	100.00%
Title 33 Justice and consumers					
33	33 04	Consumer programme	0.3395438	0.34047293	100.27 %
Total Title 33			0.3395438	0.34047293	100.27%
Total DG GROW			2303.877376	1989.770876	86.37 %

* Payment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous payment appropriations for the period (e.g. internal and external assigned revenue).

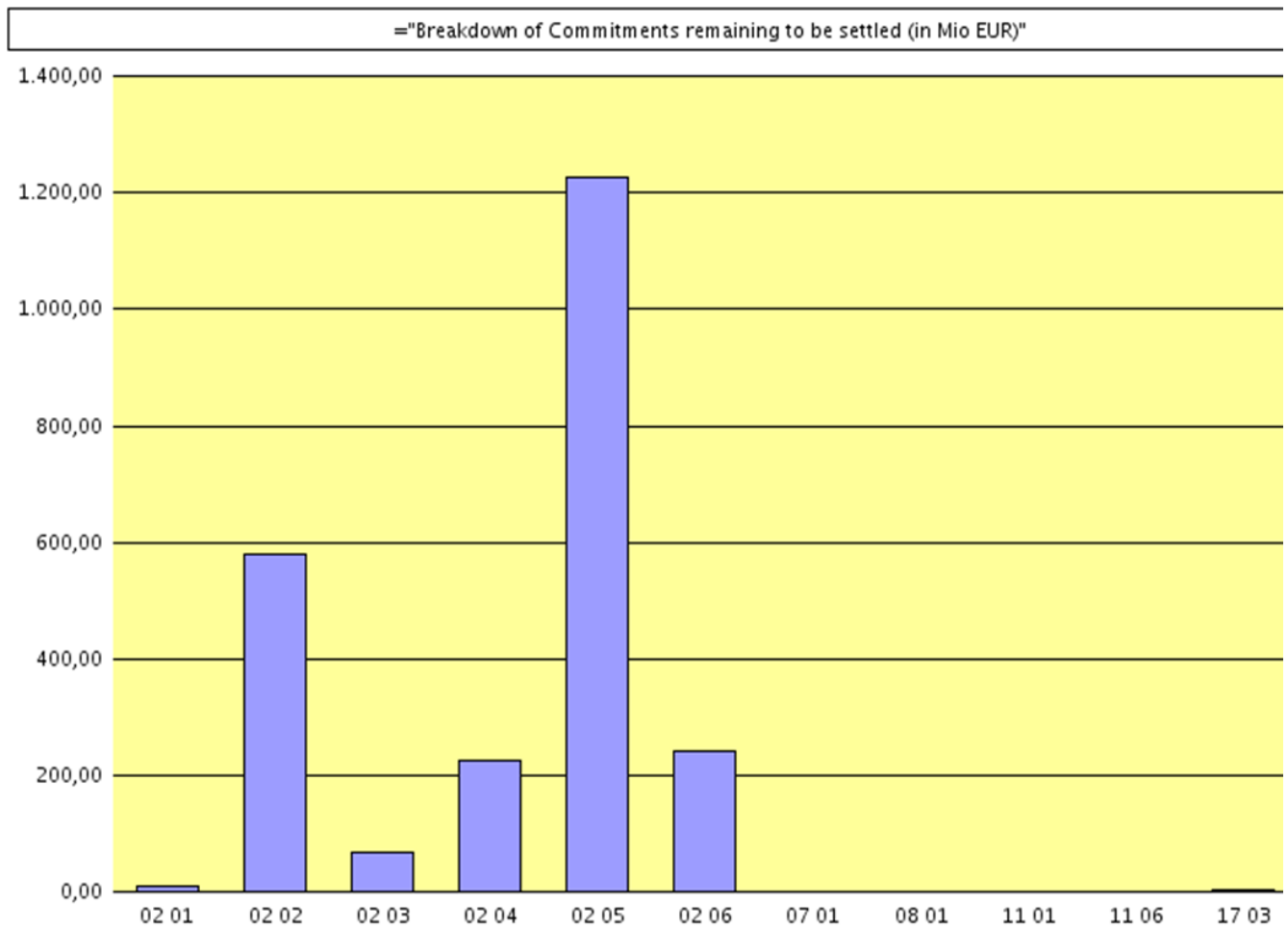
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TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2018 (in Mio €)									
Chapter			2018 Commitments to be settled				Commitments to be settled from financial years previous to 2018	Total of commitments to be settled at end of financial year 2018	Total of commitments to be settled at end of financial year 2017
			Commitments 2018	Payments 2018	RAL 2018	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
Title 02 : Internal market, industry, entrepreneurship and SMEs									
02	02 01	Administrative expenditure of the 'Internal market, industry, entrepreneurship and SMEs' policy area	35.94812856	26.48	9.46424253	26.33 %	0.03	9.49	10.38
	02 02	Competitiveness of enterprises and small and medium-sized enterprises (COSME)	269.6926535	3.69	266.0007367	98.63 %	312.09	578.09	488.60
	02 03	Internal market for goods and services	72.85596161	37.01	35.85048179	49.21 %	33.96	69.81	68.85
	02 04	Horizon 2020 - Research relating to enterprises	141.3717725	22.48	118.894693	84.10 %	106.72	225.62	208.19
	02 05	European satellite navigation programmes (EGNOS and Galileo)	920.4066786	417.42	502.9862223	54.65 %	723.63	1,226.61	1302.57
	02 06	European Earth observation programme	642.6904136	417.21	225.4820409	35.08 %	15.76	241.24	171.88
Total Title 02			2082.965608	924.29	1158.678417	55.63%	1192.178494	2350.856911	2250.469664
Title 07 : Environment									
07	07 01	Administrative expenditure of the 'Environment' policy area	3.869	3.87	0	0.00 %	0.00	0.00	0.00
Total Title 07			3.869	3.87	0	0.00%	0	0	0
Title 08 : Research and innovation									
08	08 01	Administrative expenditure of the 'Research and innovation' policy area	27.319558	27.32	0	0.00 %	0.00	0.00	0.00
Total Title 08			27.319558	27.32	0	0.00%	0	0	0
Title 11 : Maritime affairs and fisheries									
11	11 01	Administrative expenditure of the 'Maritime affairs and fisheries' policy area	3.047	3.05	0	0.00 %	0.00	0.00	0.00
	11 06	European Maritime and Fisheries Fund (EMFF)	0.8	0.00	0.8	100.00 %	0.79	1.59	0.79
Total Title 11			3.847	3.05	0.8	20.80%	0.791254	1.591254	0.791254
Title 17 : Health and food safety									
17	17 03	Public health	2.802464	0.78	2.02163285	72.14 %	1.25	3.27	3.28
Total Title 17			2.802464	0.78	2.02163285	72.14%	1.25297709	3.27460994	3.27893082
Title 33 : Justice and consumers									
33	33 04	Consumer programme	0.61275	0.03	0.58090477	94.80 %	0.03	0.61	0.37
Total Title 33			0.61275	0.03	0.58090477	94.80%	0.02733123	0.608236	0.36518978
Total DG GROW			2121.41638	959.34	1162.080955	54.78 %	1194.250057	2356.331011	2254.905038

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TABLE 4 : BALANCE SHEET GROW		
BALANCE SHEET	2018	2017
A.I. NON CURRENT ASSETS	6,673,379,180	6,086,464,400
A.I.1. Intangible Assets	6,259,925	5,102,697
A.I.2. Property, Plant and Equipment	6,579,060,673	6,005,984,469
A.I.4. Non-Current Financial Assets	45,881,613	24,734,349
A.I.5. Non-Current Pre-Financing	42,176,970	50,642,885
A.II. CURRENT ASSETS	1,748,663,545	1,833,056,078
A.II.2. Current Pre-Financing	1,416,279,814	1,585,444,771
A.II.3. Curr Exch Receiv & Non-Ex Recoverables	1,361,119	3,662,455
A.II.6. Cash and Cash Equivalents	331,022,613	243,948,852
ASSETS	8,422,042,726	7,919,520,478
P.I. NON CURRENT LIABILITIES	-465,326,062	-263,296,322
P.I.2. Non-Current Provisions	-461,462,716	-254,304,110
P.I.3. Non-Current Financial Liabilities	-3,863,346	-8,992,212
P.III. NET ASSETS/LIABILITIES	2,818,713	2,868,101
P.III.1. Reserves	2,818,713	2,868,101
P.II. CURRENT LIABILITIES	-185,248,355	-103,975,871
P.II.2. Current Provisions	-142,226,455	-57,252,515
P.II.4. Current Payables	-13,634,546	-20,050,672
P.II.5. Current Accrued Charges & Defrd Income	-29,387,354	-26,672,684
LIABILITIES	-647,755,704	-364,404,092
NET ASSETS (ASSETS less LIABILITIES)	7,774,287,022	7,555,116,386
P.III.2. Accumulated Surplus/Deficit	1,522,686,870	281,516,033
Non-allocated central (surplus)/deficit*	-9,296,973,892	-7,836,632,419
TOTAL	0	0

It should be noted that the balance sheet and statement of financial performance presented in [Annex 3](#) to this Annual Activity Report, represent only the assets, liabilities, expenses and revenues that are under the control of this Directorate-General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and statement of financial performance they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates-Generals, it can be seen that the balance sheet presented here is not in equilibrium.

Additionally, the figures included in tables 4 and 5 are provisional since they are, at this date, still subject to audit by the Court of Auditors. It is thus possible that amounts included in these tables may have to be adjusted following this audit.

Explanatory note to the Balance Sheet

A.I. NON CURRENT ASSETS

A.I.2. Property, Plant and Equipment

Following the operational development of the three Space programmes Galileo, Copernicus and Egnos, the net balance of tangible assets in DG GROW increased in 2018 by € 573 million.

The **Galileo** system, being EU's Global Navigation Satellite System (GNSS), was further developed in 2018 and reached gross value of € 4 309 million covering both its space and ground segments. € 1 324 million of this total is related to assets under construction which were not operational on 31/12/2018. The Galileo asset balance now splits into € 2 463 million of satellites, 22 of which were fully operational end of 2018, 4 other satellites are launched but have not yet passed the in-orbit-test review, and the satellites from the Batch#3 order with OHB System AG which are under construction but have not been launched. The total gross value of the Galileo ground segment reached € 1 838 million. Only the part of the ground segment which contributes to the Galileo Initial Services is accounted as final fixed assets (€ 1 120 million). The rest of the ground segment (€ 718 million) will be transferred from assets under construction to final fixed assets once the Galileo Enhanced Services are declared in the course of 2019.

Regarding **Copernicus**, the European Earth observation programme, in 2018 the gross balance reached € 3 323 million. In contrast to Galileo, the EU keeps control only over the satellites which are accounted in the EU books; the Ground Segment is managed via service contracts thus the control is not under the EU. Sentinel-3B was launched in 2018 and commissioned, thus bringing the Copernicus operational satellites to 7 (€ 2 116 million). Other 12 satellites and instruments remain under construction (€ 1 207 million). Since the Copernicus satellites are funded not only by the EU, DG GROW recognised in 2018 income of €87 million related to the contributions from ESA (the European Space Agency), and the German national space agency.

Finally, the assets related to the **EGNOS** system (European Geostationary Navigation Overlay System) reached in 2018 € 295 million, mainly brought by the development under construction of the future EGNOS Version 2 system.

The valuation of the Copernicus, Galileo and EGNOS assets is based on the data provided by the European Space Agency (ESA), the European GNSS Agency (GSA), and some limited assets acquired by the European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT) and the Copernicus Service Agency ECMWF. The calculation of the assets value follows the stages of operational development of the programmes and applied the IPSAS concepts of control of the assets.

In 2018, with the assistance of DG BUDG, DG GROW further developed and implemented the Asset Under Construction module in ABAC SAM, thus completing the last phase of using fully automated accounting for space programmes. The manual space accounts have been emptied, and the depreciation costs are calculated by ABAC SAM.

A.I.5. Non-current pre-financing

The non-current pre-financing amounts recognised on the balance-sheet at 31 December 2018 represent pre-financing for which the costs are expected to be incurred only after 31 December 2019. They relate mainly to advance payment under the Space Delegation Agreements. The decrease in the 2018 by €8,5 million reflects better forecasting on the pre-financing needs for the ESA and GSA under Galileo.

A.II. CURRENT ASSETS

A.II.2. Current Pre-Financing

A significant decrease has been made in 2018 on the balance of the current pre-financing (€ -169 million) which is an effect of the increase control on the level of cash transfers ESA, and better aligning with the short-term operational needs.

A.II.5.3 Accrued Income and Deferred Charges

In 2018 no further balances were recognised on the accrued income account as in 2018 the last remaining Liquidated Damages under Batch#1 of the Galileo contract with OHB were due and recognised.

A.II.6 Cash and cash equivalents

The cash balance is mainly related to the COSME Financial Instruments, covering the funds transferred to the fiduciary bank accounts opened by the European Investment Bank (EIF) for the purpose of management of the Loan Guarantee Facility (LGF) and the Equity Facility for Growth (EFG) financial instruments. In 2018 the level of the EIF cash balances and deposits with maturity shorter than 3 months has increased.

P. LIABILITIES

P.I.2. and P.II.2. Long-term and Short-term provisions

The increase in the provisions is related to the COSME Loan Guarantee Facility (LGF) for which an additional long-term provision of € 212 million and a short-term provision of € 85 million is booked for expected losses that may arise from the guarantee portfolio.

TABLE 5 : STATEMENT OF FINANCIAL PERFORMANCE GROW

STATEMENT OF FINANCIAL PERFORMANCE	2018	2017
II.1 REVENUES	-128,847,505	-254,958,561
II.1.1. NON-EXCHANGE REVENUES	-130,308,980	-259,187,815
II.1.1.5. RECOVERY OF EXPENSES	180,703	-118,323
II.1.1.6. OTHER NON-EXCHANGE REVENUES	-130,489,683	-259,069,493
II.1.2. EXCHANGE REVENUES	1,461,475	4,229,254
II.1.2.1. FINANCIAL INCOME	-1,992,011	-1,356,292
II.1.2.2. OTHER EXCHANGE REVENUE	3,453,486	5,585,545
II.2. EXPENSES	1,830,686,593	1,496,129,399
II.2. EXPENSES	1,830,686,593	1,496,129,399
II.2.10. OTHER EXPENSES	955,463,575	739,439,606
II.2.2. EXP IMPL BY COMMISS&EX.AGENC. (DM)	78,130,668	76,456,895
II.2.3. EXP IMPL BY OTH EU AGENC&BODIES (IM)	363,102,183	328,341,692
II.2.4. EXP IMPL BY 3RD CNTR & INT ORG (IM)	368,601,143	327,561,128
II.2.5. EXP IMPL BY OTHER ENTITIES (IM)	65,327,636	24,258,823
II.2.6. STAFF AND PENSION COSTS	-367,615	-310,033
II.2.8. FINANCE COSTS	429,003	381,287
STATEMENT OF FINANCIAL PERFORMANCE	1,701,839,088	1,241,170,837

It should be noted that the balance sheet and statement of financial performance presented in Annex 3 to this Annual Activity Report, represent only the assets, liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and statement of financial performance they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates-Generals, it can be seen that the balance sheet presented here is not in equilibrium.

Additionally, the figures included in tables 4 and 5 are provisional since they are, at this date, still subject to audit by the Court of Auditors. It is thus possible that amounts included in these tables may have to be adjusted following this audit.

Explanatory note to the Statement of Financial Performance

II.1 REVENUES

II.1.1.6. Other non-exchange revenues and II.1.2.1 Other exchange revenue

The other non-exchange revenue relates to the non-EU funded part of the Copernicus assets and in-kind contributions received for Sentinels 3B, i.e. € 87 million. Such contributions are recognised in the year of launch of the satellites. As in 2017 two Copernicus launches took place (vs a single launch in 2018), the recorded revenue was much significantly higher.

II.2 EXPENSES

II.2.3 and II.2.4 Expenses implemented by other EU agencies & international organisations (Indirect Management)

The increase of the expenses implemented by EU Agencies and international organisations is due to the Delegation Agreements for the space programmes with the increase in the reported costs compared to 2017. The main increase is on the Delegation Agreements with GSA (€ + 70 million), ESA (€ +41 million) and EDA (€ + 37,7 million).

II.2.10 Other expenses

The most important expense in this category is the depreciation charge for the Space programmes. With their related assets further increasing in the year and more operational assets being added, the 2018 cost was € 80 million higher than in 2017.

In addition, € 142 million related to the provisions for the financial instruments. A significant decrease (€ -6,2 million) was recorded for the administrative and operational fees paid to the European Investment Bank for managing the COSME financial instruments, since in 2018 the LGF fee limit was reached.

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TABLE 5bis : OFF BALANCE SHEET GROW

OFF BALANCE	2018	2017
OB.1. Contingent Assets	870629.28	756691.16
GR for performance	0.00	
GR for pre-financing	870,629.28	756,691.16
OB.2. Contingent Liabilities	-1648491	-1648491
OB.2.1. Guarantees given for EU FI	-1,648,491.00	-1,648,491.00
OB.3. Other Significant Disclosures	-4059829028	-4281466491
OB.3.2. Comm against app. not yet consumed	-2,299,697,143.45	-2,187,463,961.63
OB.3.3.4. Galileo programme	-492,852,315.00	-252,852,315.00
OB.3.3.5. GMES programme COPERNICUS	-1,267,279,570.00	-1,841,150,214.00
OB.4. Balancing Accounts	4060606890	4282358290
OB.4. Balancing Accounts	4,060,606,890.17	4,282,358,290.47
OFF BALANCE	0.00	0.00

TABLE 6: AVERAGE PAYMENT TIMES FOR 2018 - DG GROW

Legal Times							
Maximum Payment Time (Days)	Total Number of Payments	Nbr of Payments within Time Limit	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
30	1134	1118	98.59 %	12.41681574	16	1.41 %	47.9375
42	1	1	100.00 %	9			
45	29	29	100.00 %	17.20689655			
60	267	266	99.63 %	23.71428571	1	0.37 %	74
90	39	39	100.00 %	34.97435897			

Total Number of Payments	1470	1453	98.84 %		17	1.16 %	
Average Net Payment Time	15.58027211			15.18375774			49.47058824
Average Gross Payment Time	19.76802721			19.3062629			59.23529412

Suspensions							
Average Report Approval Suspension Days	Average Payment Suspension Days	Number of Suspended Payments	% of Total Number	Total Number of Payments	Amount of Suspended Payments	% of Total Amount	Total Paid Amount
0	49	125	8.50 %	1470	166,074,107.15	8.42 %	1,971,962,295.79

Late Interest paid in 2018			
DG	GL Account	Description	Amount (Eur)
GROW	65010000	Interest expense on late payment of charges	19 768.91
GROW	65010100	Interest on late payment of charges New FR	331.69
			20 100.60

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TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2018								
Chapter		Revenue and income recognized			Revenue and income cashed from			Outstanding balance
		Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total	
		1	2	3=1+2	4	5	6=4+5	
52	REVENUE FROM INVESTMENTS OR LOANS GRANTED, BANK AND OTHER INTEREST	133.46	0	133.46	133.46	0	133.46	0
60	CONTRIBUTIONS TO UNION PROGRAMMES	45457154	501084	45958238	45457054	501084	45958138	100
64	CONTRIBUTIONS FROM FINANCIAL INSTRUMENTS	50053	0	50053	50053	0	50053	0
66	OTHER CONTRIBUTIONS AND REFUNDS	6522906.57	1333381.09	7856287.66	6317789.47	209042.75	6526832.22	1329455.44
90	MISCELLANEOUS REVENUE	-33919.64	48603.15	14683.51	-33919.64	33919.64	0	14683.51
Total DG GROW		51996327.39	1883068.24	53879395.63	51791110.29	744046.39	52535156.68	1344238.95

TABLE 8 : RECOVERY OF PAYMENTS
(Number of Recovery Contexts and corresponding Transaction Amount)

INCOME BUDGET RECOVERY ORDERS ISSUED IN 2018	Irregularity		Total undue payments recovered		Total transactions in recovery context (incl. non-qualified)		% Qualified/Total RC	
	Year of Origin (commitment)		Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
2004	1	35117.1	1	35117.1	1	35117.1	100.00%	100.00%
2009	1	11181.4	1	11181.4	1	11181.4	100.00%	100.00%
2010	1	3886.44	1	3886.44	1	3886.44	100.00%	100.00%
2017					7	6401879.23		
No Link					4	32503534		
Sub-Total	3	50184.94	3	50184.94	14	38955598.17	21.43%	0.13%

EXPENSES BUDGET	Error		Irregularity		OLAF Notified		Total undue payments recovered		Total transactions in recovery context (incl. non-qualified)		% Qualified/Total R	
			Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
INCOME LINES IN INVOICES									3	12,524,423.00		
NON ELIGIBLE IN COST CLAIMS			24	2563457.27			#	2563457.27	24	2,563,457.27	100.00%	100.00%
CREDIT NOTES			46	681079.91			#	681079.91	52	681,968.77	88.46%	99.87%
Sub-Total			70	3244537.18			#	3244537.18	79	15769849.04	88.61%	20.57%
GRAND TOTAL			73	3294722.12			#	3294722.12	93	54725447.21	78.49%	6.02%

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TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2018 FOR DG GROW

	Number at 01/01/2018	Number at 31/12/2018	Evolution	Open Amount (Eur) at 01/01/2018	Open Amount (Eur) at 31/12/2018	Evolution
2011	1	1	0.00 %	57,746.53	57,746.53	0.00 %
2012	3	2	-33.33 %	302,090.60	139,947.37	-53.67 %
2013	4	4	0.00 %	973,642.10	973,642.10	0.00 %
2014	1	1	0.00 %	14,877.41	14,877.41	0.00 %
2015	1		-100.00 %	59,877.86		-100.00 %
2016	1	1	0.00 %	31,604.06	10,662.76	-66.26 %
2017	1		-100.00 %	501,084.00		-100.00 %
2018		3			205,217.10	
	12	12	0.00 %	1,940,922.56	1,402,093.27	-27.76 %

TABLE 10 : RECOVERY ORDER WAIVERS IN 2018 >= EUR 60.000

	Waiver Central Key	Linked RO Central Key	RO Accepted Amount (Eur)	LE Account Group	Commission Decision	Comments
1	3233180195	3241210453	-162,143.24	Private Companies		

Total DG GROW	-162,143.24
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Number of RO waivers	1
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There are no waivers below EUR 60 000

**TABLE 11 : CENSUS OF NEGOTIATED PROCEDURES -
DG GROW - 2018**

Internal Procedures > EUR 60,000

Negotiated Procedure Legal base	Number of Procedures	Amount (€)
Annex 1 - 11.1 (b) - Artistic/technical reasons or exclusive rights (technical monopoly, captive market)	1	150,000.00
Art. 134.1(a) (Without prior publication) No tenders or no suitable tenders have been submitted	1	190,425.00
Total	2	340,425.00

TABLE 12 : SUMMARY OF PROCEDURES OF DG GROW EXCLUDING BUILDING CONTRACTS

Internal Procedures > € 60,000

Procedure Legal base	Number of Procedures	Amount (€)
Call for expressions of interest - Pre-selection of candidates (Art. 136.1(a) RAP)	1	75,000.00
Competitive procedure with negotiation (Art. 135 RAP)	1	2,996,836.00
Exceptional Negotiated Procedure without publication of a contract notice (Art. 134 RAP)	1	190,425.00
Negotiated procedure middle value contract (Annex 1 - 14.2)	1	89,960.00
Negotiated Procedure with at least five candidates below Directive thresholds (Art. 136a RAP)	3	248,940.00
Negotiated procedure without prior publication (Annex 1 - 11.1)	1	150,000.00
Open Procedure (Art. 104(1) (a) FR)	5	8,381,008.00
Open Procedure (Art. 127.2 RAP)	15	10,067,961.66
Open procedure (FR 164 (1)(a))	1	9,500,000.00
Total	29	31,700,130.66

TABLE 13 : BUILDING CONTRACTS

Legal base	Contract Number	Contractor Name	Description	Amount (€)

TABLE 14 : CONTRACTS DECLARED SECRET

LC Responsible Organisation DG Code	LC Contract/Grant Type	LC Date	Legal base	Contract Number	Contractor Name	Description	Amount (€)

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TABLE 15 : FPA duration exceeds 4 years - GROW

FPA Central Identifier	FPA In Force From Date	FPA Expiry Date	FPA Duration	Duration in Days	FPA Local Identifier	FPA User Reference	FPA Version Type	FPA Status Code	FPA Status Desc
CE-0649788	26/06/2014	31/12/2019		2014	ENTR/B5/2014 FRAMEWORK PARTNERSHIP AGREEMENT (FPA 2014) WITH ETSI_01	FINANCING OF EUROPEAN CURRENT	VLF		In Force
CE-0649789	25/06/2014	31/12/2019		2015	ENTR/B5/2014 FRAMEWORK PARTNERSHIP AGREEMENT (FPA 2014) WITH CEN_01	FINANCING OF EUROPEAN CURRENT	VLF		In Force
CE-0649790	26/06/2014	31/12/2019		2014	ENTR/B5/2014 FRAMEWORK PARTNERSHIP AGREEMENT (FPA 2014) WITH CENELEC	FINANCING OF EUROPEAN CURRENT	VLF		In Force
CE-0684259	09/12/2014	08/12/2020	6 YEAR	2191	ENTR/B5 FPA ECOS 2015 FRAMEWORK PARTNERSHIP AGREEMENT FPA/ECOS/EN	SUPPORT TO THE ORGAN CURRENT	VLF		In Force
CE-0685846	12/12/2014	11/12/2020	6 YEAR	2191	ENTR/B5 FPA ANEC 2015 FRAMEWORK PARTNERSHIP AGREEMENT FPA/ANEC	SUPPORT TO THE ORGAN CURRENT	VLF		In Force
CE-0686188	11/12/2014	10/12/2020	6 YEAR	2191	ENTR/B5 FPA ETUC 2015 FRAMEWORK PARTNERSHIP AGREEMENT	SUPPORT TO THE ORGAN CURRENT	VLF		In Force
6									

ANNEX 4: Materiality criteria

This annex provides a detailed description of the way in which DG GROW defines its materiality thresholds. These thresholds serve as a basis for determining which significant weaknesses should be subject to a formal reservation to the Director-General's declaration of assurance.

The following types of potential deficiencies could be relevant:

- Significant weaknesses in the internal control system
- Significant errors detected during ex-post controls
- Major critical issues identified by the European Court of Auditors or the Internal Audit Service
- Insufficient evidence from internal control systems or audit coverage
- Evidence that a significant risk remained unmitigated
- A significant risk for the reputation of the Commission

In case significant weaknesses are identified, a quantification of the amount at risk should be carried out, if possible.

Taking into account their different risk profiles and control and supervision arrangements, the activities performed by DG GROW have been regrouped in three areas of expenditure, for which individual materiality criteria have been defined:

1. Delegation Agreements with entrusted entities, i.e. indirect management
2. Research expenditure (FP7)
3. Other direct expenditure

1. Delegation Agreements with Entrusted entities, i.e. indirect management

For expenditure under joint management and indirect management, implemented by Delegation Agreements with Entrusted entities, including international organisations, the materiality threshold has been set at 2 % of undetected and uncorrected errors in the amounts of cost reported during the year or at the end of the implementation of the programmes. If the error rate exceeds the 2 % materiality threshold, a reservation should be considered.

Materiality is to be assessed per management mode.

2. Research expenditure, i.e. direct management

The materiality criteria for Research expenditure are defined in common agreement with the other DGs of the 'Research family' (RTD, CNECT, MOVE, ENER).

The general control objective for the Research services, following the standard quantitative materiality threshold proposed in the Standing Instructions, is to ensure for each FP, and the Coal and Steel Research Fund for DG RTD, that **the residual error rate, i.e. the level of errors which remain undetected and uncorrected, does not exceed 2 % by the end of each FP's management cycle**. The question of being on track towards this objective is to be (re)assessed annually, in view of the results of the implementation of the ex-post audit strategy 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 assessment of the effectiveness of the different programmes' control system is based mainly, but not exclusively, on ex-post audits' results. The effectiveness is expressed in terms of detected and residual error rate, calculated on a representative sample.

2.1. Effectiveness of controls

The starting point to determine the effectiveness of the controls in place is the cumulative level of error expressed as the percentage of errors in favour of the EC, detected by ex-post audits, measured with respect to the amounts accepted after ex-ante controls.

However, to take into account the impact of the ex-post controls, this error level is to be adjusted by subtracting:

- Errors detected and corrected as a result of the implementation of audit conclusions;
- Errors corrected as a result of the extension of audit results to non-audited contracts with the same beneficiary.

This results in a residual error rate, which is calculated in accordance with the following formula:

$$\text{ResER}\% = \frac{(\text{RepER}\% * (P - A)) - (\text{RepERsys}\% * E)}{P}$$

where:

- ResER%** residual error rate, expressed as a percentage
- RepER%** representative error rate, or error rate detected in the common representative sample, expressed as a percentage. For FP7 this rate is the same for all Research services.
- RepERsys%** portion of the RepER% representing (negative) systematic errors, expressed as a percentage. The RepER% is composed of two complementary portions reflecting the proportion of negative systematic and non-systematic errors detected.
- P** total aggregated amount in euros of EC share of funding in the auditable population. In FP7, the population is that of all received cost statements, and the euro amounts those that reflect the EC share included in the costs claimed in each cost statement.
- A** total EC share of all audited amounts, expressed in euro. This will be collected from audit results.
- E** total non-audited amounts of all audited beneficiaries. In FP7, this consists of the total EC share, expressed in euro, excluding those beneficiaries for which an extrapolation is ongoing).

If the residual error rate is not (yet) below 2 % at the end of a reporting year within the FP's management lifecycle, a reservation must be considered.

The Common Representative Audit Sample (CRAS) is the starting point for the calculation of the residual error rate. It is representative of the expenditure of each FP as a whole. Nevertheless, the Director-General or Director for the Executive Agencies must also take into account other information when considering if the overall residual error rate is a sufficient basis on which to draw a conclusion on assurance (or make a reservation) for specific segment(s) of FP7/Horizon 2020. This may include the results of other ex-post audits, ex-ante controls, risk assessments, audit reports from external or internal

auditors, etc. All this information may be used in assessing the overall impact of a weakness and considering whether to make a reservation or not.

If the CRAS results are not used as the basis for calculating the residual error rate this must be clearly disclosed in the AAR, along with details of why and how the final judgement was made.

In case a calculation of the residual error rate based on a representative sample is not possible for a FP for reasons not involving control deficiencies³⁵, the consequences are to be assessed quantitatively by making a best estimate of the likely exposure for the reporting year based on all available information. The relative impact on the Declaration of Assurance would be then considered by analysing the available information on qualitative grounds and considering evidence from other sources and areas. This should be clearly explained in the AAR.

2.2. Multiannual approach

The Commission's central services' guidance relating to the quantitative materiality threshold refers to a percentage of the authorised payments of the reporting year of the ABB expenditure. However, the Guidance on AARs also allows a multi-annual approach, especially for budget areas (e.g. programmes) for which a multi-annual control system is more effective. In such cases, the calculation of errors, corrections and materiality of the residual amount at risk should be done on a "cumulative basis" on the basis of the totals over the entire programme lifecycle.

Because of its multiannual nature, the effectiveness of the Research services' control strategy can only be fully measured and assessed at the final stages in the life of the framework programme, once the ex-post audit strategy has been fully implemented and systematic errors have been detected and corrected.

In addition, basing materiality solely on ABB expenditure for one year may not provide the most appropriate basis for judgements, as ABB expenditure often includes significant levels of pre-financing expenditure (e.g. during the initial years of a new generation of programmes), as well as reimbursements (interim and final payments) based on cost claims that 'clear' those pre-financings. Pre-financing expenditure is very low risk, being paid automatically after the signing of the contract with the beneficiary.

Notwithstanding the multiannual span of their control strategy, the Director-Generals of the Research DGs (and the Directors of ERCEA, REA, and, for Horizon 2020, EASME and INEA) are required to sign a statement of assurance for each financial reporting year. In order to determine whether to qualify this statement of assurance with a reservation, the effectiveness of the control systems in place needs to be assessed not only for the year of reference but also with a multiannual perspective, to determine whether it is possible to reasonably conclude that the control objectives will be met in the future as foreseen.

In view of the crucial role of ex-post audits defined in the respective common audit strategies, this assessment needs to check in particular whether the scope and results of the ex-post audits carried out until the end of the reporting period are sufficient and adequate to meet the multiannual control strategy goals.

The criteria for making a decision on whether there is material error in the expenditure of the DG or service, and so on whether to make a reservation in the AAR, will therefore be principally, though not necessarily exclusively, based on the level of error identified in ex-post audits of cost claims on a multi-annual basis.

³⁵ Such as, for instance, when the number of results from a statistically representative sample collected at a given point in time is not sufficient to calculate a reliable error rate.

2.3. Adequacy of the audit scope

The quantity of the (cumulative) audit effort carried out until the end of each year is to be measured by the actual volume of audits completed. The data is to be shown per year and cumulated, in line with the current AAR presentation of error rates. The multiannual planning and results should be reported in sufficient detail to allow the reader to form an opinion on whether the strategy is on course as foreseen.

The Director-General or Director for the Executive Agencies should form a qualitative opinion to determine whether deviations from the multiannual plan are of such significance that they seriously endanger the achievement of the internal control objective. In such case, she or he would be expected to qualify his annual statement of assurance with a reservation.

2.4. Research Framework programmes – specific aspects

The control system of each framework programme is designed in order to achieve the operational and financial control objectives set in their respective legislative base and legal framework. If the effectiveness of those control systems does not reach the expected level, a reservation must be issued in the annual activity report and corrective measures should be taken.

Each programme having a different control system, the following section details the considerations leading to the establishment of their respective materiality threshold and the conclusions to draw with regard to the declaration of assurance.

2.5. Seventh Framework programme and the Coal and Steel Research Fund

For the Seventh Framework programme and the Coal and Steel Research Fund, the general control objective, following the standard quantitative materiality threshold proposed in the Standing Instructions for AAR, 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 programmes' management cycle.

The question of being on track towards this objective is to be (re)assessed annually, in view of the results of the implementation of the ex-post audit strategy 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.

3. Other direct expenditure

For other direct expenditure, DG GROW applies the proposed threshold of 2 % of payments made under the ABB activity for the given year. If the amount at risk exceeds 2 % of the ABB activity concerned, a reservation should be considered.

The amount of risk is calculated, similarly to FP7, based on the available results from ex-post results, i.e. either (overall) detected error rate or representative detected error rate, depending on their availability and reliability.

$$ResER\% = \frac{(R/DER \% * (P - A - R))}{P}$$

where:

ResER% residual error rate, expressed as a percentage;

R/DER% (overall) detected or representative error rate calculated by excluding risk-

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based audits, expressed as a percentage;

- P** total payments executed under the respective programme throughout the years of implementation, expressed in euro;
- A** total EU contribution amounts audited, excluding risk based audits, expressed in euro;
- R** total EU contribution amounts verified after risk-based audits, expressed in euro;

ANNEX 5: Relevant Control System(s) for budget implementation (RCSs)

RCS N°1: Budget entrusted to other entities

This RCS covers: (1) the Delegation Agreements (DAs) with **ESA** for the GNSS programmes Galileo FOC and EGNOS, for the Copernicus programme under indirect management and for the GMES programme under joint management, (2) DAs with **ECMWF, EUMETSAT** and **MERCATOR** for Copernicus programme under indirect management; (3) DA with **OECD** under joint management; (4) the subsidy to the **EASME** Executive Agency for its operating budget, (4) the supervision of the budget executed on behalf of DG GROW by the **EDA, ECHA, EEA, EMSA, EUROFOUND, FRONTEX, GSA, SATCEN**, as EU agencies and by the **REA** and **EASME** Executive Agencies, and (5) cross sub-delegations to **other Commission services** (AOXD).

Stage 1 – Establishment (or prolongation) of the mandate to the Entrusted Entity (EE)

Main control objectives: Ensure that the legal framework for the management of the relevant funds is fully compliant and regular (legality & regularity), delegated to an appropriate entity (best value for public money, economy, efficiency), without any conflicts of interests (anti-fraud strategy) and gives all the references necessary for a smooth running of the new entity.

Main risks	Mitigating controls	Coverage frequency and depth	Cost-Effectiveness indicators (three E's)
<p>Indirect management not foreseen in Basic Act</p> <p>Delegation Act (DA) does not clearly set out :</p> <ul style="list-style-type: none"> - delegated tasks, responsibilities of each involved actor - internal control and reporting requirements to be observed - arrangements for protection of EU financial interests and transparency of operations - right of the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) to comprehensively exert their competences to 	<p>Creation of a checklist of <i>lessons learned</i> from prior similar DAs</p> <p>Ex-ante evaluation of new DA by ad hoc DG GROW Task Force</p> <p>Inter-service consultation of relevant Commission services</p> <p>Hierarchical validation within the authorising department</p> <p>Adoption of new DA by the Commission</p> <p>Describe modalities of cooperation, supervision and reporting</p> <p>Explicit allocation of supervision responsibility to individual officials (reflected in task assignment or function descriptions)</p>	<p>Coverage/Frequency: 100 %/once</p> <p>Depth: Checklist includes a list of the requirements of the regulatory provisions to be complied with.</p> <p>Factors would be (i) whether it is an establishment or a prolongation, (ii) whether it involves selecting an entity and (iii) consistency with any other entities entrusted by the same DG or family.</p>	<p>Costs: estimation of FTEs involved in the preparation and adoption work</p> <p>Benefits:</p> <ul style="list-style-type: none"> - Total budget amount entrusted to the entity in case of detection of no significant (legal) errors - DG GROW reputation intact <p>Effectiveness:</p> <ul style="list-style-type: none"> - Quality of the legal work (Basic Act, Legal and Financial Statement and DA) - no ECA or OLAF criticism <p>Efficiency:</p> <ul style="list-style-type: none"> - Average cost of preparation, adoption work done compared with similar cases

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Main risks	Mitigating controls	Coverage frequency and depth	Cost-Effectiveness indicators (three E's)
<p>audit the entrusted funds</p> <p>Specific risks related to industrial procurement to be carried out by ESA on behalf of DG GROW in the complex oligopolistic space market</p> <p>Specific risks related to industrial procurement to be carried out by GSA in the complex oligopolistic space market</p>	<p>Ex-ante verification by DG GROW of industrial procurements procedures carried out by the EE on behalf of DG GROW</p> <p>Scrutiny verification by DG GROW of industrial procurements procedures carried out by the GSA</p>		<p>as benchmark</p> <p>Economy:</p> <p>- ratio FTEs/funds entrusted (economic when below 10-15 %)</p>

Stage 2 – Ex-ante (re)assessment of the entrusted entity's financial and control framework

Main control objectives: Ensuring that the EE is fully prepared to start/continue implementing the delegated funds autonomously with respect of all 5 Internal Control Objectives (ICOs) (*legality and regularity, sound financial management, true and fair view reporting, safeguarding assets and information, anti-fraud strategy*).

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - Before entrusting tasks of budget implementation to the EE, DG GROW has not obtained evidence that the financial and control framework deployed by the EE is sufficiently mature to guarantee achieving all 5 ICOs - The EE's own financial framework differs from the EU FR and the two parallel 	<ul style="list-style-type: none"> - DG internal or independent external ex-ante assessment, conditional to granting budget autonomy - Hierarchical validation within the authorising department - Require justification and prior consent for any deviation to financial rules (e.g. Riders or Contract Change Notices) - Require timely notification by 	<p>Coverage/frequency:</p> <ul style="list-style-type: none"> - <u>International organisations</u>: thorough assessment of internal control systems/once, followed if necessary by ad hoc targeted system controls - <u>Agencies</u>: targeted system controls/ad hoc - <u>AQXD</u>: reliance on other DG's control system 	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of FTEs involved in the ex-ante assessment process (including missions) - cost of outsourced independent external "pillar" (re)assessment of the EE's control system(s) <p>Benefits:</p> <ul style="list-style-type: none"> - Total budget amount entrusted to the EE if no significant system

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Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<p>systems coexist with the risk of the EE's own system being applied to EU funds</p> <ul style="list-style-type: none"> - The EE has not timely informed DG GROW about substantial changes made to its systems, rules and procedures that relate to the management of the EU funds entrusted 	<p>the EE of any changes to its financial or control systems subsequent to the signature of the DA</p> <ul style="list-style-type: none"> - Statement obtained from another DG which also has a DA with the EE 	<p>Depth:</p> <ul style="list-style-type: none"> - 100 % 	<p>weaknesses are detected</p> <ul style="list-style-type: none"> - DG's reputation remains intact <p>Effectiveness:</p> <ul style="list-style-type: none"> - no ECA or OLAF criticism - n° of recommendations proposed to EE as result of assessment (i.e. deviations from EU FR identified) - quality of ex-ante assessment <p>Efficiency Indicators:</p> <ul style="list-style-type: none"> - Time-To-Implement recommendations (by the EE) - Time-To-(Re)Assess <p>Economy:</p> <p>ratio FTEs/funds entrusted (economic when below 10-15 %)</p>

Stage 3 – Operations: monitoring, supervision, reporting

Main control objectives: Ensure that the DA objectives are achieved and that DG GROW is fully and timely informed of any relevant management issues encountered by the EE, in order to possibly mitigate any potential financial and/or reputational impacts (legality & regularity, sound financial management, true and fair view reporting, anti-fraud strategy).

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - Low quality programme results, delayed programme implementation, non-achievement of policy objectives / desired impact on 	<p>Detailed reporting modalities included in DA (incl. regular programme evaluation).</p> <p>Reinforced monitoring:</p> <ul style="list-style-type: none"> - increased participation in EE's 	<p>Coverage: 100 % of the entities monitored/supervised.</p> <p>Frequency:</p> <ul style="list-style-type: none"> - daily (operational/financial/ 	<p>Costs: estimation of FTEs involved in monitoring and supervision (including missions).</p> <p>Benefits:</p>

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Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<p>society.</p> <ul style="list-style-type: none"> - Due to weak modalities of cooperation, supervision and reporting, DG GROW is not fully and timely informed of relevant financial and/or management issues encountered by the EE, and/or does not (timely) react upon notified issues by mitigating them or by making a reservation for them – which may reflect negatively on the DG's governance reputation and quality of accountability reporting. - EE's financial and control systems are not functioning as expected, even though the outcome of the system (re)assessment was satisfactory (e.g. assets not correctly registered in EEs accounts) 	<p>governance bodies and technical committees</p> <ul style="list-style-type: none"> - detailed analysis of all reports submitted by the EE; if necessary, request additional ad hoc reports - outsourcing of technical assistance on general programme management and ad hoc topics (e.g. asset management, systems audits) - regular EE audits by DG GROW, IAS, ECA and close follow-up of implementation of audit recommendations - management review of the supervision results (e.g. monthly GROW -ESA meeting at Director-General level) - monthly EC/ESA/GSA directors meeting to tackle specific issues - set up of ad hoc GROW - EE Task Forces to tackle problematic issues - if necessary, referral to OLAF 	<p>technical issues)</p> <ul style="list-style-type: none"> - monthly (briefings and reports for high level governance meetings) - quarterly (report analysis) - annual (AOXD reports, review of Annual Reports for reservations) <p><u>In case of</u> operational / financial issues, measures are reinforced. The depth depends on the <u>mandate</u> given to the entity, and on the level of DG GROW access to the EE's internal control information.</p>	<ul style="list-style-type: none"> - Total budget amount entrusted to the EE if no significant (legal, management, accounting, fraud, reporting) errors are detected - DG's reputation remains intact <p>Effectiveness:</p> <ul style="list-style-type: none"> - DA objectives achieved on time - cut-off and closure exercise carried out within deadline - relevance, reliability and quality of control data reported back by EE - n° of serious IAS or ECA findings on control failures - n° of regular monitoring actions, n° of issues under reinforced monitoring, budget % value and amount of errors detected ex-post - Parent DG's AAR assurance on EEs budgets <p>Efficiency Indicators:</p> <ul style="list-style-type: none"> - no amendments to DA to extend programme implementation deadline - DA renewed - Time-To-Implement audit recommendations <p>Economy:</p> <ul style="list-style-type: none"> - ratio FTEs/funds entrusted (economic when below 10-15 %)

Stage 4 – Commission contribution: payment or suspension/interruption

Main control objectives: Ensure that the Commission fully assesses the management situation at the entrusted entity, before either paying out the (next) contribution for the operational and/or operating budget of the entity, or deciding to suspend/interrupt the (next) contribution (legality & regularity, sound financial management, anti-fraud strategy).

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<p>The Commission pays out the (next) contribution to the entrusted entity:</p> <ul style="list-style-type: none"> - while not being aware of management issues that may lead to financial and/or reputational damage - despite being aware of such issues - with incorrect calculation of the cash needs of the entrusted entity - with no implementation of the audit results by the entrusted entity 	<ul style="list-style-type: none"> - Require EE to report back on management issues as soon as possible - Ex-ante operational and financial verifications leading to correction of errors and restatement of corrected contribution request - Management review of supervision results - Hierarchical validation of contribution payment and recovery of non-used funds - If necessary, suspension or interruption of payments 	<p>Coverage: 100 % of the contribution payments.</p> <p>Frequency: as per transfer agreement or transfer request</p> <p>The depth depends on the <u>mandate</u> of the (type of) entity, inter alia whether DG GROW has full access to the entity's internal control information.</p>	<p>Costs: estimation of FTEs involved in the ex-ante verifications</p> <p>Benefits:</p> <ul style="list-style-type: none"> - value of errors detected by ex-ante controls - Total budget amount entrusted to the entity if no significant (legal, management, accounting, fraud, reporting) errors are detected - DG's reputation remains intact <p>Effectiveness:</p> <ul style="list-style-type: none"> - amount of unused operating budget recovered (if any) - budget amount of the suspended/interrupted payments (if any). <p>Efficiency Indicators:</p> <ul style="list-style-type: none"> - Time-To-Pay /Recover <p>Economy:</p> <ul style="list-style-type: none"> - ratio FTEs/funds entrusted (economic when below 10-15 %)

Stage 5 – Audit and evaluation, Discharge for decentralised agencies

Main control objectives: Ensuring that assurance building information on the EE’s activities is being provided through independent sources as well, which may confirm or contradict the management reporting received from the entrusted entity itself (on the 5 ICOs).

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E’s)
<ul style="list-style-type: none"> - The Commission has insufficient information from independent sources on the EE’s management achievements, which prevents drawing conclusions on the assurance for the budget entrusted to the Entity – which may reflect negatively on the Commission’s governance reputation and quality of accountability reporting - Decentralised agencies do not fully cooperate with the Discharge authorities and do not provide, as appropriate, any necessary additional information - The entrusted AOXD’s control system is subject to AAR reservations and/or ECA criticism 	<ul style="list-style-type: none"> - DA to specify independent audit function and cooperation with IAS and ECA - DG GROW own on-the-spot ex-post audits of the EE and/or its beneficiaries - potential escalation of any major governance-related issues - Interim evaluations by independent experts of achievement of policy objectives - if necessary, referral to OLAF 	<p>Coverage: All delegation agreements are checked through samples.</p> <p>The subsidies to the EASME and GSA, the budget executed on behalf of DG GROW by them and EU agencies are checked by the European Court of Auditors. DG GROW does not perform ex-post audits on these agencies. The AOXD’s systems are presumed to be up to Commission standards.</p> <p>Frequency: once a year</p> <p>The depth depends on the <u>mandate</u> of the (type of) entity, inter alia whether the Commission has full access to the entity’s internal control information.</p>	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of FTEs involved in the coordination and execution of the own audits - Ex-post audit mission costs - Cost of outsourced audits <p>Benefits:</p> <ul style="list-style-type: none"> - Assurance of the AOD that the population audited is clean of error - % rate and value of errors detected by own audits (and subsequently corrected) <p>Effectiveness:</p> <ul style="list-style-type: none"> - unqualified opinion by the EE’s independent external auditor on the EE’s annual financial statements - detected error rate of own ex-post audits of EE below materiality threshold - n° of own audits - n° and amount of errors detected by own audits <p>Efficiency:</p> <ul style="list-style-type: none"> - value of total payments audited - Number of audits launched in the year versus annual target

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Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
			<ul style="list-style-type: none"> - Number of audits closed in the year versus annual target Economy: - ratio: annual cost of own audits / amount of all errors detected - average cost per audit

RCS N°2: Financial Instruments

RCS N° 2: Financial Instruments

This RCS covers: Financial Instruments entrusted to international financial institutions under indirect management (2014-2020). Delegation Agreement (DA) signed by DG GROW with the **European Investment Fund (EIF)** for the implementation of the COSME Financial Instruments, namely the Loan Guarantee Facility (LGF) and the Equity Facility for GROW (EFG).

Stage 1 – Set-up/design of the Financial Instrument and designation of International Financial Institution

Main control objectives:

- Ensuring that the Financial Instrument is adequate for meeting the policy or programme objectives (effectiveness); Compliance (legality & regularity); Prevention of fraud (anti-fraud strategy)
- Ensuring that the most promising International Financial Institution is pre-determined or selected to ensure that the Financial Instrument is implemented effectively and efficiently; Sound financial management; Legality and regularity; Fraud prevention and detection

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<p>The actions supported through the Financial Instrument do not adequately reflect the policy objectives for the COSME financial instruments as set out in the COSME Regulation 1287/2013 of 11 December 2013, specifically articles 8, 17, 18 and 19.</p> <p>The Delegation Agreement is inadequate in coverage of operational and management provisions (no compliance with Financial Regulation (FR) art. 140 and Rules of Application (RAP) art. 217 & 222-225)</p>	<ol style="list-style-type: none"> 1. Ex-ante assessment for financial instruments has been carried out 2. Market test conducted prior to the design of the Loan Guarantee Facility (LGF) 3. Main principles agreed in the Financial and Administrative Framework Agreement signed with the EIF 4. Adequacy of the Delegation Agreement (DA) signed between DG GROW and the entrusted entity (European Investment Fund – EIF): <ul style="list-style-type: none"> • <i>DA contains detailed provisions with regard to the follow-up on</i> 	<p>If risk materialises, the Financial Instrument could become irregular or miss the achievement of the policy objectives.</p> <p>Possible impact 100 % of funds involved and significant reputational consequences.</p> <p>Coverage / Frequency for DA: 100 % / once</p> <p>Depth for DA: In-depth control, full engagement of operational and financial unit resources</p>	<p>Costs: estimation of cost of staff involved in the preparation and validation of the delegated acts of the Financial Instrument including the ex-ante evaluation.</p> <p>Benefits: The (average annual) budget entrusted to the EIF for the COSME financial instruments</p> <p>Effectiveness:</p> <ul style="list-style-type: none"> • Quality of the DA <p>Efficiency:</p> <ul style="list-style-type: none"> • Time-to-entrust: <ul style="list-style-type: none"> ○ time from adoption of COSME legal base to DA signed ○ time between signature of Financial and Administrative

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Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
	<p><i>the achievement of policy objectives</i></p> <ul style="list-style-type: none"> • <i>Fee payments to EIF are linked to achievement of measurable policy objectives;</i> • <i>DA was approved following Commission inter-service consultation (including all relevant DGs, horizontal and operational);</i> • <i>DA negotiations required substantial time and resources to ensure that all financial, operational and policy aspects are covered in sufficient detail to allow adequate management and follow-up of financial instruments until their wind-down (expected for 2034)</i> <p>5. Annual approval of work programme by the COSME Member State Committee</p>	<p>Coverage / Frequency for annual work programme: 100 % / annually</p>	<p>Framework Agreement and signature of DA</p> <ul style="list-style-type: none"> ○ time between signature of DA and calls for expression of interests published for the LGF and the EFG <p>Economy:</p> <ul style="list-style-type: none"> • Ratio: FTEs invested in the drafting, negotiation and signature of the Financial and Administrative Framework Agreement and DA / total budget entrusted
<p>The selection of the International Financial Institution is not in line with FR and its Rules of Application criteria, especially 'alignment of interests'</p>	<p>Selection of the EIF as entrusted entity:</p> <ul style="list-style-type: none"> • <i>In line with Art. 58.1(c)(iii) FR</i> • <i>EIF explicitly indicated in the COSME Regulation as a possible entrusted entity for the EFG (Art. 18.4(a)) and the LGF (Art. 19.4)</i> <p>Alignment of interest with the EIF</p>	<p>Coverage / Frequency: 100 % / once</p>	<p>Costs: estimation of cost of staff involved</p> <p>Benefits:</p> <ul style="list-style-type: none"> • Use of experienced entrusted entity in the field of European SME financing • Single entrusted entity for both COSME financial instruments (LGF & EFG) allowing full flexibility in

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Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<p>The International Financial Institution does not have the experience and financial capacities as well as the administrative and control capacities to ensure effective and sound implementation of the Financial Instrument</p>	<p>was achieved through:</p> <ul style="list-style-type: none"> • Requirement for systematic co-investment of EIF own resources under the EFG • A fee structure to compensate the EIF for the implementation of the financial instruments which is linked to the achievement of the policy objectives <p>Ex-ante assessment of the EIF in accordance with articles 61(1) and 60(2) FR (the so-called six pillar assessment) successfully carried out prior to the signature of the Financial and Administrative Framework Agreement</p>	<p>Coverage / Frequency: 100 % / once</p>	<p>budget implementation and use of funding in the most efficient and effective way</p> <ul style="list-style-type: none"> • Only one counter-party for DG GROW for implementation of COSME financial instruments in all participating countries to the COSME programme <p>Effectiveness:</p> <ul style="list-style-type: none"> • Use of EIF as entrusted entity allowed full flexibility in negotiations taking also into consideration the IFIs experience and procedures <p>Efficiency:</p> <ul style="list-style-type: none"> • Time-to-entrust <p>Economy:</p> <p>Use of EIF avoided costly and lengthy selection procedure of International Financial Institution</p>

Stage 2 – Implementation of the Financial Instrument by the International Financial Institution, via financial intermediaries

Main control objectives:

- Ensuring that the funds allocation is optimal (best value for public money; effectiveness, economy, efficiency); ensuring that the most promising Financial Intermediaries, Final Recipients are selected to meet the policy objectives (effectiveness)
- Ensuring that the remuneration paid to the International Financial Institution is adequate (cost-effectiveness)

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- Compliance (legality & regularity); Prevention of fraud (anti-fraud strategy); Safeguarding of assets and information; Reliable reporting (true and fair view).

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<p>The call for and selection of the contracted (sub-) financial intermediaries is not in line with FR its Rules of Application criteria for eligibility or exclusion, especially 'alignment of interests' and 'no relations with offshore banking and tax havens'</p>	<p>1. Preventive measures:</p> <ul style="list-style-type: none"> • Calls for expression of interest published for the financial instruments have been built on the detailed provisions contained in the DA • Approval of the texts of the calls by the Designated Service (DG GROW) prior to their publication <p>2. Due diligence by EIF</p> <ul style="list-style-type: none"> • The EIF has to check the fulfilment of the eligibility conditions of potential financial intermediaries based on agreed procedures in the DA and/or the EIF's own procedures <p>3. Pre-screening of potential financial intermediaries by DG GROW (ex-ante controls):</p> <ul style="list-style-type: none"> • Information on potential financial intermediaries submitted by the EIF to DG GROW through regular pipeline reports • Prior information of DG GROW on pre-selected FIs before they are being proposed to the EIF board for approval 	<p>Coverage / Frequency: 100 % / once (as continuous call for expression of interest)</p> <p>Depth: detailed provisions determined by the EIF in accordance with the DA, including objective selection and award criteria as well as reporting details</p> <p>Coverage / Frequency: 100 % / on a continuous basis (as applications can be submitted to the EIF by a FI at any given point in time)</p> <p>Depth: very detailed</p> <p>Coverage / Frequency: 100 % / on a continuous basis (as applications can be submitted to the EIF by a financial intermediaries at any given point in time)</p> <p>Depth: Basic information is provided by the EIF about the proposed transactions, allowing DG GROW to assess a limited number of eligibility criteria.</p>	<p>Costs: estimation of cost of staff involved in the preparation and validation of the calls and the follow-up of selection of financial intermediaries</p> <p>Benefit of controls:</p> <ul style="list-style-type: none"> • A detailed call for expression of interest (including selection and award criteria + detailed reporting provisions) reduces the risk of unequal treatment of financial intermediaries applying for support and ensures uptake of the COSME financial instruments • Ex-ante and ex-post controls of selected financial intermediaries ensure that financial intermediaries meet the exclusion and eligibility criteria and that COSME funding is spent in accordance with provisions of legal base and FR (avoids waste of resources) <p>Effectiveness:</p> <ul style="list-style-type: none"> • n° of (successful) challenges received from financial intermediaries on selection procedure • n° of rejections of selected financial intermediaries or Final Recipients

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Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<p>The design of the accounting and reporting arrangements would not provide sufficient transparency (True & Fair View)</p>	<p>Implementation of accounting and reporting arrangements by the EIF in accordance with the provisions and principles set out in the DA, to be transposed also into agreements with the selected financial intermediaries where applicable:</p> <ul style="list-style-type: none"> EIF is required to carry out ex-ante and ex-post controls, on- 	<p>Coverage / Frequency: Risk-based or representative sample / on a continuous basis</p>	<ul style="list-style-type: none"> value of equity/loans to be cancelled as a result of these controls Selected financial intermediaries meet the exclusion and eligibility criteria set out in the DA <p>Efficiency:</p> <ul style="list-style-type: none"> Time-to-select (e.g. time between due diligence and approval of financial intermediaries by the EIF Board) Time-to-contract (e.g. time between the selection procedure and the signature of agreements between EIF and financial intermediaries) <p>Economy Ratio: FTEs + other costs of controls (on-spot controls, outsourcing of technical assistance) / amount implemented</p> <p>Costs: estimation of cost of staff involved in accounting, analysis of reports and handling of identified deficiencies</p> <p>Effectiveness:</p> <ul style="list-style-type: none"> Number of verification failures detected; value of the issues

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Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<p>The remuneration (structure and/or level) of the International Financial Institution³⁶ and the reimbursement of any exceptional costs would not be in line with the Sound Financial Management objective (e.g. administrative fees unjustifiably high)</p>	<p>the-spot verifications</p> <ul style="list-style-type: none"> Harmonised financial reporting has been required by the Commission (cf. Financial and Administrative Framework Agreement and DAs) Separate records per COSME Financial Instrument are to be kept by the EIF <p>Application of the international financial and reporting standards</p> <p>Fees, including administrative fees, incentive fees, treasury management fees and any exceptional unforeseen, expenses, are defined in the Financial and Administrative Framework Agreement and the DA, including an overall cap.</p> <p>Review by the designated service of the statement of expenses together with evidence provided by the International Financial Institution:</p> <ul style="list-style-type: none"> Incentive fees linked to the achievement of policy objectives, substantiated 	<p>100 % / annually</p> <p>100 % / on a continuous basis for a period of 7 years following the end of the implementation period or termination of the agreements concluded by the EIF with an financial intermediary or the closure of operations under a Financial Instrument, whichever period is the longest</p>	<p>concerned prevented/corrected</p> <ul style="list-style-type: none"> Number of qualified audit opinions from independent auditors Quality of reports <p>Efficiency:</p> <ul style="list-style-type: none"> Timely reporting by the International Financial Institution <p>Costs: estimation of cost of staff involved in the financial workflow</p> <p>Benefits: no undue payment of fees or exceptional expenses</p> <p>Effectiveness:</p> <p>N° of non-compliance events against Financial and Administrative Framework Agreement /DA and internal DG GROW financial procedures</p> <p>Economy:</p> <p>Ratio of remuneration and costs versus actually managed funds</p> <p>Cost of control FTEs / value of errors</p>

³⁶ Remuneration may include administrative fees, treasury management fees and incentives as well as exceptional and unforeseen expenses.

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Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<p>During the operations, the policy objectives reflected under the DA in terms of eligible financial intermediaries and Final Recipients and/or the compliance, eligibility, reporting and other contractual</p>	<p>through the annual operational reports to be submitted for the LGF and the EFG</p> <ul style="list-style-type: none"> • Overall fee cap for admin and incentive fees of 6 % of EU Contribution Committed • The authorisation for the EIF to withdraw fees and exceptional expenses from the LGF/EFG fiduciary accounts is subject to the financial workflow in place in GROW/H (designated service), including independent financial ex-ante verification <p>Specific provisions in the DA:</p> <ul style="list-style-type: none"> • Quarterly operational reporting to be provided for the implementation of LGF and EFG, including achievement of policy objectives (e.g. amount of financing / investments made available to eligible final recipients, number of eligible final recipients, leverage achieved) • EIF is required to carry out monitoring and controls, including on-the-spot verifications, covering financial intermediaries, financial sub-intermediaries where applicable and Final Recipients and to provide an annual 	<p>100 % / annually</p> <p>Coverage / Frequency: 100 % / quarterly Risk-based or representative sample / on a continuous basis for the monitoring and control activities</p>	<p>detected</p> <p>Costs: estimation of cost of staff involved in the monitoring and supervision Benefits: Regularity and legality of</p>

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Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
obligation requirements would not be respected	<p>report on the monitoring activities carried out, summarising the findings and follow-up activities</p> <p>The agreements between the EIF and the financial intermediaries contain relevant reporting, monitoring and audit obligations.</p>		<p>operations, respect of policy objectives</p> <p>Effectiveness:</p> <p>Reaching the indicators set out in the COSME legal base over the lifetime of the COSME programme (accumulative data)</p>

Stage 3 - Monitoring and supervision of the Financial Instrument by the Commission, including ex-post controls and assurance building

Main control objectives:

- Ensuring that the operational results (deliverables) from the Financial Instrument are of good value and meet the objectives and conditions (effectiveness & efficiency); ensuring that the related financial operations comply with regulatory and contractual provisions (legality & regularity); prevention of fraud (anti-fraud strategy); ensuring appropriate accounting of the operations (reliability of reporting, safeguarding of assets and information)
- Ensuring appropriate accounting of the repayments and assigned revenue made (reliability of reporting)
- Ensuring that the (audit) results from the ex-post controls lead to assurance for the accountable AOD (5 ICOs)

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Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<p>The entrusted entity provides support to activities which are not contributing to achieving the policy objectives and the implementation is not in compliance with applicable regulations and is not in accordance with the principle of sound financial management</p> <p>Internal control weaknesses, irregularities, errors and fraud are not detected and corrected by the entrusted entities, resulting in that the EU funds are not achieving the policy objectives and are in non-compliance with applicable regulations</p> <p>The Financial Instrument transactions lead to contingent liabilities for the EU</p>	<p>Monitoring or supervision of the EIF as set out in the DA and FAFA</p> <p>Regular reporting by the EIF to DG GROW (Designated Service) on the operational and financial performance, including the financial statements, management declaration, summary of audits and controls carried out during the reporting year (to be discussed also in the respective LGF and EFG Steering Committees)</p> <p>Independent audit opinion</p> <p>In case of weak reporting, negative audit opinion, high risk operations, etc.: reinforced monitoring/ supervision controls, random and/or case/risk-based audits at the IFI and (sub) Financial Intermediary levels.</p> <p>Referring Financial Intermediaries to OLAF</p> <p>DA provisions:</p> <ul style="list-style-type: none"> EU exposure/liability limited to the EU Contribution Committed 	<p>Coverage:</p> <ul style="list-style-type: none"> Step 1: Representative sample of transactions carried out Step 2: Identified deficiencies leading to more in-depth controls and/or audits. <p>Depth: depends on risk criteria</p>	<p>Costs:</p> <ul style="list-style-type: none"> estimation of the cost of staff involved in the monitoring of the Financial Instrument. Cost of contracted services, if any. Cost of audits <p>Benefits:</p> <ul style="list-style-type: none"> funds used for intended purpose detection of any non-compliance events (value) <p>Effectiveness:</p> <ul style="list-style-type: none"> Unqualified audit opinions Number of control failures detected; value of the issues concerned prevented/corrected Detected error rate resulting from ex-post audits Number and value of internal control, auditing and monitoring "issues", number of interventions, number of issues under reinforced internal control, auditing and monitoring, number of critical IAS and ECA findings Number of cases submitted to OLAF <p>Efficiency:</p> <p>Timely delivery of reports and their</p>

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Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<p>The governance chain between the responsible and the accountable parties involved is unclear (Commission, International Financial Institution, Financial Intermediaries, sub- Financial Intermediaries and Final Recipients)</p>	<ul style="list-style-type: none"> • Official notification procedure on the EU Contribution Committed (including repayments) • Currency exposure fully hedged upfront <p>Regular submission of disbursement and repayment (assigned revenue) forecasts Reporting on financial risk & off-balance-sheet liabilities Reporting on treasury management</p> <p>Clear provisions in the DA on governance chain and frequency/deadlines of reports</p>		<p>reliability</p> <p>Economy: Management (fees) and supervision costs (FTE) over assets under management Average cost per Financial Instrument; % cost over value delegated Costs/Benefits ratio</p>

ICT N°3: Assets

ICT N° 3: Assets

This ICT covers: the physical assets of the GNSS and Copernicus space programmes

Stage 1 – Recognition: establishment of the Commission's rights on assets in the underlying agreements

Main control objectives: Negotiation of contractual terms. Ensure that the legal framework (Delegation Agreements with entrusted entities) for the management of the EU assets is fully compliant and regular (legality & regularity) with an appropriate set-up of requirements related to the safeguarding of assets, inventory management and accounting information (true and fair view).

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<p>Delegation Agreement does not clearly set out :</p> <ul style="list-style-type: none"> - delegated tasks - the requirements related to the ownership, safeguarding and management of EU property - internal control and reporting requirements to be observed - arrangements for protection of EU financial interests and transparency of operations - right of the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) to comprehensively exert their competences to audit the entrusted funds 	<p>1) Investment of adequate time and effort in drafting the new DA:</p> <ul style="list-style-type: none"> - Inter-service consultation of relevant Commission services - Hierarchical validation and financial circuits within the authorising department - Detailed and unambiguous modalities of cooperation, supervision and reporting - Stipulations with regard to transfer of ownership and the detailed asset management and reporting requirements 	<p>Coverage/Frequency 100 %/once</p> <p>Depth: In-depth control, full investment of DG GROW operational, financial and legal units</p>	<p>Costs: estimation of FTEs involved in the preparation and adoption work</p> <p>Benefits:</p> <ul style="list-style-type: none"> - Proper safeguarding of the EU property - DG GROW reputation intact - Cost-efficient implementation of the Delegation Agreement <p>Effectiveness:</p> <ul style="list-style-type: none"> - Quality of the legal work (Basic Act, Legal and Financial Statement and DA) - Timely receipt of adequate reporting in line with requirements Delegation Agreements - no ECA, IAS or OLAF criticism <p>Efficiency:</p> <ul style="list-style-type: none"> - Time and average cost of preparation, adoption work done compared with similar cases as benchmark <p>Economy:</p> <ul style="list-style-type: none"> - ratio FTEs/funds entrusted (economic when below 2 %)

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Stage 2 – Protection: recording, ensuring correct asset valuation

Main control objectives: Ensuring that the Commission registers and protects its asset correctly, including the safeguarding of assets and reliable and accurate asset valuation and reporting (true and fair view)

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<p>The implementation of the Delegation Agreements entail weaknesses, which lead to the Commission's legal rights in terms of assets ownerships not being duly protected and/or registered and/or reliably reported</p> <p>Non respect of EU accounting rules regarding assets and inventories</p> <p>Inaccurate valuation of assets</p>	<p>Clear programme specific accounting guidelines, inspection, depreciation and de-commissioning rules</p> <p>Formal agreement of Accounting Officer asked for accounting decisions with a material impact</p> <p>Organisation of asset workshops with the entrusted entities</p> <p>Regular meetings of the asset working group with members from the accounting team, DG for Budget and operational units</p> <p>In depth ex-ante controls of accounting data, including sample-wise ex-ante checks of underlying cost and regular checks of inventories</p>	<p>Coverage/Frequency: Full coverage/yearly</p> <p>Depth: In-depth control, full investment of DG GROW accounting team in co-operation with operational units</p>	<p>Costs: estimation of cost of staff involved. Cost of the contracted services (if applicable)</p> <p>Benefits: The (average annual) total value of the significant errors detected and thus prevented in terms of the Commission's rights</p> <p>Effectiveness: Number of material internal and external audit findings about incorrect valuation of assets</p> <p>The valuation of assets within the deadlines imposed by the Directorate-general for Budget</p> <p>Efficiency: Time spent on controls related to the asset value</p> <p>Economy: Cost of valuation and accounting of the Commission's assets and evolution over time</p>

Stage 3 – Overall monitoring of proper safeguarding of assets

Main control objectives: Ensuring that the Commission’s property is safeguarded properly

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E’s)
<p>Lack of complete and reliable assets register</p> <p>Lack of safeguarding of assets (for example assets lost, damaged or disposed without prior permission of the EU)</p>	<p>Physical inspection of assets under EU ownership</p> <p>Formal procedure for disposal of assets</p> <p>Other monitoring measures adequate to the programme (i.e. monitoring of asset performance, signal provision)</p>	<p>Performance of physical inspections on the basis of the Multi-annual assets verification programme on a risk based approach with the objective of 75 % coverage in three year time</p>	<p>Costs: estimation of cost of staff & missions involved.</p> <p>Benefits: assurance on the existence and safeguarding of the total value of EU assets Budget value of items lost detected</p> <p>Effectiveness: Value of assets inspected per three years as % of net asset (equipment) value Number of follow-up actions</p> <p>Efficiency: Time spent and cost of missions related to the value of assets inspected</p> <p>Economy: Cost of inspections of the EU assets and evolution over time</p>

Stage 4 - Ex-Post controls: supervision monitoring, reviews, audits – plus corrections

Main control objectives: Measuring the effectiveness of ex-ante controls; detect and correct any error with regard to the underlying cost remaining undetected after the implementation of ex-ante controls. Ensuring that the appropriate corrections are being made

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<p>The ex-ante controls fail to prevent, detect and correct errors in the valuation of the assets</p>	<p>Ex-post audits of cost reported by the entrusted entities that form the basis for the EU asset valuation</p>	<p>Coverage ex post audits:</p> <ul style="list-style-type: none"> • Representative sample: random or MUS sample sufficiently representative to draw valid management conclusions • Risk-based sample, determined in accordance with the selected risk criteria, aimed to maximise error correction (either higher amounts or expected error rate). 	<p>Costs: estimation of cost of staff involved in the supervision and audit strategy</p> <p>Benefits: budget value of the errors, detected by the auditors, which have actually been corrected.</p> <p>Effectiveness: Representative error rate below 2 %.</p> <p>Efficiency: total (average) annual cost of audits compared with benefits (ratio).</p> <p>Economy: Cost of ex-post audits of the underlying cost of asset valuation and evolution over time</p>

RCS N° 4: Procurement

This RCS covers: DG GROW own procurement under direct management, which is mostly for studies and technical assistance:

Stage 1 – Decision to launch a procurement procedure

A - Planning

Main control objectives: Effectiveness, efficiency and economy. Compliance (legality and regularity).

Main risks	Mitigating controls	Coverage frequency and depth	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - The procurement needs are not clearly defined or justified from an economic or operational point of view - Discontinuation of the services provided due to poor/late planning and organisation of the procurement process - Lack of expert knowledge and experience in the highly regulated field of procurement which may lead to the wrong choice of procedure/thresholds and the splitting of purchases - Conflict of interests 	<ul style="list-style-type: none"> - Publication of intended procurements - Validation of clear definition and justification of procurement needs by AOSD before call launch - Detailed manual of budgetary and financial procedures available on the DG's intranet - Biannual in-house technical training on procurement management provided by the DG GROW Public Procurement and Grants Management Team of the Financial Resources and Internal Control unit - Regular information on ethics, integrity and fraud awareness to all staff involved in the procurement process 	<ul style="list-style-type: none"> - 100 % of forecast procurements are encoded in the DG GROW Planning Tool for monitoring 	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of FTEs involved and the related contract values (if external expertise is used) <p>Quantified Benefits:</p> <ul style="list-style-type: none"> - Amount of rejection of unjustified purchases <p>Non Quantified Benefits:</p> <ul style="list-style-type: none"> - Avoidance of litigation - DG GROW reputation intact <p>Effectiveness:</p> <ul style="list-style-type: none"> - n° of ECA observations and % error rate on choice of procurement procedure - n° of successful legal on errors in the procurement procedures

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B - Needs assessment & definition

Main control objectives: Effectiveness, efficiency and economy. Compliance (legality and regularity).

Main risks	Mitigating controls	Coverage frequency and depth	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - Risk of not obtaining value for money due to lack of market analysis and/or poor definition of selection criteria - Risk of unequal treatment resulting in litigation, due to selection criteria favouring one contractor - Risk of not receiving the best offers due to the poor definition of the tender specifications (disproportion between contract value and selection/award criteria, or specifications too vague) - Risk of non-compliance with legality and regularity and criticism on choice of procedure due to limited competition and high proportion of negotiated procedures in the very technical, complex and oligopolistic space market 	<ul style="list-style-type: none"> - Encourage use of open procedures, even in relatively closed markets - Technical specifications are prepared and validated by at least 2 staff members, and approved by the responsible operational Director before call launch - Verification and validation of tender documents by a specialised team for Public Procurement and Grants Management in the Financial Resources and Internal Control unit before call launch 	<ul style="list-style-type: none"> - 100 % of the specifications are verified. Depth may be determined by the amount and/or the impact on the objectives of the DG if it goes wrong - 100 % of the tenders above a financial threshold (e.g. > € 15.000) are reviewed. Depth risk-based, depending on sensitivity 	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of FTEs involved and the related contract values (if external expertise is used) <p>Quantified Benefits:</p> <ul style="list-style-type: none"> - Value of contracts for which the approval and supervisory control detected material error (negative opinion issued by the DG GROW Public Procurement and Grants Management team). <p>Non quantified Benefits:</p> <ul style="list-style-type: none"> - Limit the risk of litigation - Limit the risk of cancellation of a tender <p>Effectiveness:</p> <ul style="list-style-type: none"> - N° of negative Public Procurement and Grants Management opinions - N° of 'open' procedures or procedures where only one or no offers were received

C – Evaluation & Award

Main control objectives: Effectiveness, efficiency and economy. Compliance (legality and regularity). Fraud prevention and detection.

Main risks	Mitigating controls	Coverage frequency and depth	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - The most economically advantageous offer is not selected due to a biased, inaccurate or 'unfair' evaluation process - Over-consumption of resources (human and financial) due to errors or mismanagement leading to award decisions being contested (resulting in Court and Ombudsman cases) - Damage to the DG's reputation if fraud or criminal behaviour is discovered (conflict of interest) 	<ul style="list-style-type: none"> - All evaluations involve the use of opinions of more than one qualified official. The evaluation process is more regulated and formalised as the contract value increases. - Risk based approach: higher risk contracts have more in-depth checks - Review of and opinion on evaluation and award documents and process by a specialised team on Public Procurement and Grants Management in the Financial Resources and Internal Control unit before contract award 	<ul style="list-style-type: none"> - Formal evaluation process: Opening and Evaluation committees for all tenders > € 135.000 including signature of declarations of absence of conflict of interests by the committee members - <u>Risk based approach:</u> <ul style="list-style-type: none"> 1) second review of evaluation and award documents and process by an ad hoc committee of independent Directors for procurements > € 10 million 2) validation of negotiated procedures > € 50.000 by the Director-General before call launch 3) validation of negotiated procedures > € 1 million by ad hoc committee of a Deputy Director-General and two independent Directors before call launch - 100 % of the offers are evaluated by more than one qualified official - 100 % of evaluations are checked. - Depth: required documents provided are consistent 	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of FTEs involved and the related contract values (if external expertise is used) <p>Quantified Benefits:</p> <ul style="list-style-type: none"> - Difference between the most onerous offer and the selected one - N° or value of contracts subject to complaints / irregularities - N° of procurements successfully challenged during standstill period <p>Non quantified Benefits:</p> <ul style="list-style-type: none"> - Compliance with FR - Best value for money <p>Effectiveness:</p> <ul style="list-style-type: none"> - n° of ECA observations and % error rate concerning evaluation & award stage - n° of negative Public Procurement and Grants Management opinions - n° of successful complaints or Ombudsman or Court cases resulting from non-compliant procurement process <p>Efficiency:</p> <ul style="list-style-type: none"> - Time-To-Contract <p>Contract value/cost of FTEs involved in control of contracts</p>

Stage 2 – Contract Management and Financial transactions

Main control objectives: Ensuring that the implementation of the contract is in compliance with the signed contract

Main risks	Mitigating controls	Coverage frequency and depth	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - Bad or non-execution by the contractor, leading to serious problems if contractual deliveries are critical and no short term alternatives are available (risk of over-dependency on certain contractors) - The products/services foreseen are not, totally or partially, provided in accordance with the technical description and requirements foreseen in the contract and/or the amounts paid exceed that due in accordance with the applicable contractual and regulatory provisions - Risk of bad execution due to undetected errors on uncorrected imprecisions in offers or tendering specifications - Business discontinues, because contractor fails to deliver - Plagiarism (studies, reports) - Fraud 	<ul style="list-style-type: none"> - Checks on financial capacity and viability of contractors prior to awarding the contract - Close monitoring of contracts, with possible on-site verifications, particularly of high value contracts resulting from negotiated procedures - Checks on both operational and financial issues carried out at appropriate level using the most qualified staff. As defined in the in accordance with the financial circuits - Possibility to run a plagiarism check of reports submitted by contractor - Management of sensitive functions 	<ul style="list-style-type: none"> - 100 % of the contracts are controlled, including only value-adding checks - For riskier operations, in-depth ex-ante verification - High risk operations identified by risk criteria - For high risk operations, reinforced monitoring of the respect of the timely achievement of the contract's milestones by the contractor 	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of FTEs involved <p>Quantified Benefits:</p> <ul style="list-style-type: none"> - Amount of irregularities, errors and overpayments prevented by the controls <p>Non quantified Benefits:</p> <ul style="list-style-type: none"> - DG reputation intact <p>Effectiveness:</p> <ul style="list-style-type: none"> - n° of ECA observations and % error rate relating to contract management /payment stage - N° of court cases resulting from contract execution problems - % budget execution rate – total amount committed/paid versus total budget envelope - % of contracts implemented - n° of open critical and/or very important audit recommendations <p>Efficiency:</p> <ul style="list-style-type: none"> - Time-To-Pay - Late interest payment and damages paid (by the Commission) - Coverage of 1st and 2nd level ex-ante controls <p>Economy:</p> <ul style="list-style-type: none"> - Average n° of contracts per

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Main risks	Mitigating controls	Coverage frequency and depth	Cost-Effectiveness indicators (three E's)
			procurement control FTE - cost of control per running contract % cost over annual amount disbursed

Stage 3 – Supervisory measures

Main control objectives: Ensuring that any weakness in the procedures (tender and financial transactions) is detected and corrected

Main risks	Mitigating controls	Coverage frequency and depth	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - An error or non-compliance with regulatory and contractual provisions, including technical specifications, or a fraud is not prevented, detected or corrected by ex-ante control, prior to payment 	<ul style="list-style-type: none"> - Supervisory desk review of procurement and financial transactions - Ex-post publication of contracts awarded (and subsequent publication in the EU Financial Transparency System) - Regular review of exceptions or non-compliance events reported - Regular review of the procurement process (self-assessment by DG Public Procurement and Grants Management Team) - System and transaction audits by IAS, ECA) and subsequent monitoring of implementation of recommendations for improvement 	<ul style="list-style-type: none"> - 100 % Depth: review any significant problem that occurred - Public Procurement and Grants Management team examines procurement procedures - 100 % of the sample at least once a year to determine any errors or systemic problems or weaknesses in the procedures (procurement and financial transactions) 	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of FTEs involved in the controls <p>Non Quantified Benefits:</p> <ul style="list-style-type: none"> - Systematic weaknesses corrected - Deterrent effect <p>Effectiveness:</p> <ul style="list-style-type: none"> - Amounts associated with errors detected (related to fraud, irregularities and error) and in % over total checked. - N° system improvements made <p>Efficiency:</p> <ul style="list-style-type: none"> - Average time-to-contract <p>Economy:</p> <ul style="list-style-type: none"> - Proportion of overall cost of control over total expenditure (payments authorised) - Costs of the ex-post controls and supervisory measures with respect to the 'benefits'.

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Main risks	Mitigating controls	Coverage frequency and depth	Cost-Effectiveness indicators (three E's)
	- indicators on procurement are regularly reported		

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RCS N° 5: Grants

This RCS covers: DG GROW grants under direct management, awarded in the framework of FP6, FP7, CIP, COSME, Internal Market, and Standardisation, as well as other ad hoc, action and operating grants.

Stage 1 – Programming, evaluation and selection of proposals

A - Preparation, adoption and publication of the Annual Work Programme (AWP) and Calls for proposals (Calls)

Main control objectives: Ensuring that the Commission receives and selects the proposals that contribute the most towards the achievement of the policy or programme objectives (effectiveness); Compliance (legality & regularity); Prevention of fraud (anti-fraud strategy)

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - Work Programmes and subsequent calls do not adequately reflect the policy objectives, priorities are incoherent and/or the essential eligibility, selection and award criteria are not adequate to ensure the evaluation of the proposals - Work Programmes are inconsistent within the other family DGs and with the 7 year framework - Work Programmes overlap with other programmes (by other DGs, e.g. Structural Funds) and could lead to double-funding - Calls are tailored to the advantage of certain candidates due to undue influences from interest groups - Calls are not adequately published and do not reach all 	<ul style="list-style-type: none"> - Hierarchical validation within the authorising department - Inter-service consultation, including all relevant DGs - Adoption by the Commission <p><u>Recommended:</u></p> <ul style="list-style-type: none"> - Centralised checklist-based verifications - Explicit allocation of responsibility to individual officials (reflected in task assignment or function descriptions) - Ex-post monitoring: lessons-learned survey/discussion with evaluators 	<p>If risk materialises, all grants awarded during the year under this WP or call would be irregular. Possible impact: 100 % of budget involved and significant reputational consequences.</p> <p>Coverage / Frequency: 100 %</p> <p>Depth: All Work Programmes are thoroughly reviewed at all levels, including for operational and legal aspects.</p>	<p>Costs:</p> <ul style="list-style-type: none"> - Estimation of cost of staff involved in the preparation and validation of the Work Programmes and calls. Cost of contracted services, if any. <p>Benefits:</p> <ul style="list-style-type: none"> - Only qualitative benefits. A good Work Programme and well publicised calls should generate a large number of good quality projects, from which the most excellent can be chosen. There will therefore be real competition for funds. - The (average annual) total budgetary amount of the Work Programmes or calls with significant errors detected and corrected. <p>Effectiveness:</p> <ul style="list-style-type: none"> - % of n° of calls successfully concluded / number of calls planned in Management Plan/Work Programme

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Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
target groups			<ul style="list-style-type: none"> - % budget execution rate grant commitments <p>Economy:</p> <ul style="list-style-type: none"> - average n° and value of running grants managed per control FTE - % cost of control for all stages over annual amount disbursed in grants - average cost of control per grant

B – Selecting and awarding: Evaluation, ranking and selection of proposals

Main control objectives: Ensuring that the most promising projects for meeting the policy objectives are among the proposals selected (effectiveness); Compliance (legality & regularity); Prevention of fraud (anti-fraud strategy)

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - Evaluation, ranking and selection of proposals not carried out in accordance with the established procedures, policy objectives and priorities - Eligibility, selection and award criteria too ambiguous or otherwise inadequate to ensure that grants are awarded to the actions which maximise the overall effectiveness of the EU programme - Unauthorised persons may have access to the electronic system for the management of 	<ul style="list-style-type: none"> - Selection and appointment of expert evaluators - Assessment of evaluation procedure by independent experts - Review of evaluation results by an ad hoc committee for big calls - Validation by the AO of ranked list of proposals. In addition, if applicable: opinion of advisory bodies; comitology; inter-service consultation, adoption by the Commission; publication 	<ul style="list-style-type: none"> - 100 % vetting (including selecting) of expert evaluators for technical expertise and independence (e.g. conflicts of interests, nationality bias, ex-employer bias, collusion) - 100 % of proposals are evaluated - 100 % of ranked list of proposals. Supervision of work of evaluators. - 100 % of contested decisions are analysed by redress committee 	<p>Costs:</p> <ul style="list-style-type: none"> - Estimation of cost of staff involved in the evaluation and selection of proposals - Cost of the appointment of experts and of the logistics of the evaluation <p>Benefits:</p> <ul style="list-style-type: none"> - 'quality allocation' assurance of the whole committed budget (as it will have been checked ex-ante and is considered reasonable in the interests of the programme) <p>Qualitative benefits:</p> <ul style="list-style-type: none"> - Expert evaluators from outside the Commission bring independence,

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Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<p>the calls</p> <ul style="list-style-type: none"> - Unequal treatment of applicants: inappropriate contacts and/or conflict of interests with certain applicants during the procedure - Monopoly of certain bodies insufficiently justified 	<ul style="list-style-type: none"> - Redress procedure 		<p>state of the art knowledge in the field and a range of different opinions. This will have an impact on the whole project cycle : better planned, better executed projects</p> <p>Effectiveness:</p> <ul style="list-style-type: none"> - % of proposals evaluated within the year/proposals received - % of n° of (successful) redress challenges / total n° of proposals received - Ratio of proposals received to proposals selected ("oversubscription" rate) - No successful litigation cases <p>Efficiency:</p> <ul style="list-style-type: none"> - Average Time-To-Publication of selection results (FR 128.2) <p>Economy:</p> <ul style="list-style-type: none"> - Average evaluation cost per proposal (external experts paid only) - % cost of control over annual amount disbursed in grants

Stage 2 - Contracting

Main control objectives: Ensuring that the most promising projects for meeting the policy objectives are among the proposals contracted; Ensuring that the actions and funds allocation is optimal (Sound Financial Management: best value for public money; effectiveness, economy, efficiency); Compliance (legality & regularity); Prevention of fraud (anti-fraud strategy)

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Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - After evaluation, the description of the action in the grant agreement remains unclear or still includes tasks which do not contribute to the achievement of the programme objectives - Inconsistencies exist between the grant agreement and its annexes - Procedures do not comply with regulatory framework - The beneficiary : <ul style="list-style-type: none"> ▪ has overestimated the costs necessary to carry out the action ▪ has made false declarations ▪ lacks operational and/or financial capacity to carry out the action ▪ is awarded several grants for a single action (double-funding by different DGs or other donors) 	<ul style="list-style-type: none"> - Systematic checks on operational and legal aspects performed before signature of the grant agreement - Project Officers implement evaluators' recommendations in discussion with selected applicants. Hierarchical validation of proposed adjustments. - Validation of beneficiaries (operational and financial viability) - Planning of (mid-term and final) evaluations. - Signature of the grant agreement by the AO. - In-depth financial verification and taking appropriate measures for high risk beneficiaries - Participant Guarantee Fund (FP7) 	<p>Coverage:</p> <ul style="list-style-type: none"> - 100 % of the selected proposals and beneficiaries are scrutinised - 100 % of draft grant agreements <p>Depth may be differentiated; determined after considering the type or nature of the beneficiary (e.g. SMEs, joint-ventures) and/or of the modalities (e.g. substantial subcontracting) and/or the total value of the grant</p>	<p>Costs:</p> <ul style="list-style-type: none"> - Estimation of cost of staff involved in the contracting process <p>Efficiency:</p> <ul style="list-style-type: none"> - Average Time-To-Grant <p>Economy:</p> <ul style="list-style-type: none"> - % cost of control for all stages over annual amount disbursed in grants

Stage 3 - Monitoring the execution: Project management - operational, financial and reporting aspects

Main control objectives: ensuring that the operational results (deliverables) from the projects are of good value and meet the objectives and conditions (effectiveness & efficiency); ensuring that the related financial operations comply with regulatory and contractual provisions (legality & regularity); prevention of fraud (anti-fraud strategy); ensuring appropriate accounting of the operations (reliability of reporting, safeguarding of assets and information)

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Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - The actions foreseen are not, totally or partially, carried out in accordance with the technical description and requirements foreseen in the grant agreement and/or the amounts paid exceed those due according to the applicable contractual and regulatory provisions - Reimbursement of ineligible costs by DG GROW (e.g. due to overinflated timesheets, subcontracting of core activities or without prior tendering procedure) - Several authorising officers implement the same programme and do not treat the beneficiaries equally, e.g. FP7 - Insufficient operational performance monitoring of beneficiaries by project officers 	<ul style="list-style-type: none"> - Kick-off meetings and "launch events" involving the beneficiaries in order to avoid project management and reporting errors - Effective external communication about guidance to the beneficiaries - Operational and financial checks in accordance with the financial circuits - Operation authorisation by the AO - For riskier operations more in-depth ex-ante controls. Scientific reviews if necessary. - When needed: application of suspension/interruption of payments, penalties or liquidated damages, earmark projects for risk-based ex-post audit, refer grant/beneficiary to OLAF 	<ul style="list-style-type: none"> - 100 % of the projects are controlled, including only value-adding checks - Riskier operations subject to more in-depth controls - The depth depends on risk criteria. However, as a deliberate policy to reduce administrative burden, and to ensure a good balance between trust and control, the level of control at this stage is reduced a to a minimum - High risk operations identified by risk criteria. Red flags: suspicions raised by staff, delayed interim deliverables, suspicion of plagiarism, unstable consortium, requesting many amendments, EDES or anti-fraud flagging, etc. - Audit certificates required for any beneficiary claiming significant EU contribution, e.g. in FP7 	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of cost of staff involved in the actual management of running projects <p>Benefits:</p> <ul style="list-style-type: none"> - part of budget value of the costs claimed by the beneficiary, but rejected by staff - Reductions in error rates identified by audit certificates - Budget value of penalties and liquidated damages - Benefits due to operational review of projects and consequent corrective actions imposed on projects <p>Effectiveness:</p> <ul style="list-style-type: none"> - % and value of reductions made to EC contribution paid out through the ex-ante desk checks / total value of cost claims desk-checked - % of payments suspended - n° of cost claims desk-checked <p>Efficiency:</p> <ul style="list-style-type: none"> - % and value of reductions made to EU contribution paid through ex-ante desk checks/total value of cost claims checked - Average n° & value of projects managed 'per' staff FTE - Average Time-To-Pay - Average payment suspension time

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Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
			(days) Economy: - % cost of ex-ante control (cost/total amount of grant payments) - Average project management cost (staff FTE * standard staff cost) per running project

Stage 4 - Ex-Post controls

A - Reviews, audits and monitoring

Main control objectives: Measuring the level of error in the population after ex-ante controls have been undertaken; measure the effectiveness of ex-ante controls by ex-post controls; detect and correct any error or fraud remaining undetected after the implementation of ex-ante controls (legality & regularity; anti-fraud strategy); address systemic weaknesses in the ex-ante controls, based on the analysis of the findings (sound financial management); ensure appropriate accounting of the recoveries to be made (reliability of reporting, safeguarding of assets and information)

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
- The ex-ante controls (as such) fail to prevent, detect and correct erroneous payments or attempted fraud to an extent going beyond an acceptable rate of error	- Ex-post control strategy: at intervals carry out audits of a representative sample of operations to measure the level of error in the population after ex-ante controls have been performed. Additional sample to address specific risks - Carry out audits or desk reviews of a (representative) sample of operations to determine effectiveness of	- Common Representative audit sample (CRaS); Monetary Unit Sample (MUS) across the programme to draw valid management conclusions on the error rate in the population, e.g. FP7 - DG GROW own risk-based sample, determined in accordance with the selected risk criteria, aimed to maximise deterrent effect and prevention of fraud or serious error, e.g.	Costs: - Estimation of cost of staff involved in the coordination and execution of the audit strategy. Audit mission costs. Cost of outsourced audits. Benefits: - <u>Quantifiable</u> : budget value of the errors detected by the auditor - <u>Non quantifiable</u> : Deterrent effect. Learning effect for beneficiaries. Improvement of ex-ante controls or risk approach in ex-ante controls by

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Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
	<p>ex-ante controls</p> <ul style="list-style-type: none"> - Multi-annual basis (programme's lifecycle) and coordination with other AOs concerned (to detect systemic errors). In case of systemic error detected, extrapolation to all the projects run by the audited beneficiary - Validate audit results with beneficiary - If needed: refer the beneficiary or grant to OLAF 	<p>FP7</p> <ul style="list-style-type: none"> - Representative sample: random or MUS sample sufficiently representative to draw valid management conclusions (other DG GROW grants) 	<p>feeding back findings from audit. Improvement in rules and guidance from feedback from audit.</p> <p>Effectiveness:</p> <ul style="list-style-type: none"> - (FP7) Cumulative Common Representative Error Rate - (other DG GROW grants) Detected Error Rate - (FP7) Cumulative Residual Error Rate in comparison to the materiality threshold - Value of errors detected - Total and Average ex-post audit cost (in-house and/or outsourced) <p>Efficiency:</p> <ul style="list-style-type: none"> - N° of audits finalised - % of beneficiaries and of value covered by ex-post audits <p>Economy:</p> <ul style="list-style-type: none"> - Total and average ex-post audit cost

B - Implementing results from ex-post audits/controls

Main control objectives: Ensuring that the (audit) results from the ex-post controls lead to effective recoveries (legality & regularity; anti-fraud strategy); Ensuring appropriate accounting of the recoveries made (reliability of reporting)

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - Errors, irregularities and cases of fraud detected are not addressed or not addressed timely 	<ul style="list-style-type: none"> - Systematic registration of audit / control results to be implemented - Financial and operational validation of recovery in accordance with financial circuits - Authorisation by AO - Notification to OLAF and regular follow up of detected fraud 	<p>Coverage: 100 % of final audit results with a financial impact</p> <p>Depth:</p> <ul style="list-style-type: none"> - All audit results are examined in-depth in making the final recoveries - Systemic errors are extended to all the non-audited projects of the same beneficiary 	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of cost of staff involved in the implementation of the audit results <p>Benefits:</p> <ul style="list-style-type: none"> - budget value of the errors, detected by ex-post controls, which have actually been corrected (offset or recovered) <p>Loss:</p> <ul style="list-style-type: none"> - budget value of such ROs which are 'waived' or have to be cancelled <p>Effectiveness:</p> <ul style="list-style-type: none"> - Amounts being recovered and offset <p>Efficiency:</p> <ul style="list-style-type: none"> - Number/value/% of audit results pending implementation - Number/value/% of audit results implemented - Time-To-Recover <p>Economy:</p> <ul style="list-style-type: none"> - % cost of control for all stages over annual amount disbursed in grants

ANNEX 6: Implementation through national or international public-sector bodies and bodies governed by private law with a public sector mission (if applicable)

Indirect management

I. ESA (European Space Agency)

<p>Programmes concerned</p> <ul style="list-style-type: none"> - Global Navigation Satellite System (GNSS) programmes (Galileo and EGNOS) <ul style="list-style-type: none"> - Copernicus programme, previously known as the Global Monitoring for Environment and Security programme (GMES)
<p>Annual budgetary amount entrusted</p> <p>(amounts transferred in 2018)</p> <ul style="list-style-type: none"> - GNSS: € 270 million - GMES/Copernicus: € 390 million - H 2020: € 56 million
<p>Duration of the delegation</p> <p>The current multi-annual Delegation Agreements were signed with the European Space Agency (ESA) in 2014 under the new EU MFF (2014-2020). Amendments to the FOC DA (GNSS) have taken place in 2015 and 2018.</p> <p>Additionally, a Delegation Agreement was signed in December 2015 related to the evolution of GNSS technology in the scope of H2020 activities for the period 2015-2020.</p>
<p>Justification of the recourse to indirect management</p> <p>EC-ESA Framework Agreement of May 2004 establishing a general frame for cooperation aiming to link demand for services and applications using space systems in support of the Community policies, with the supply of space systems and infrastructures necessary to meet that demand, and which foresees that each party shall provide the other party with expertise and support in its own specific fields of competence.</p> <p>The key role, <u>competence and expertise of ESA</u> being the European agency for research and development in the space domain, was recognised by the Resolution on the European Space Policy, unanimously approved by both the Council of the EU and the Council of the ESA, in Brussels on 22 May 2007 and confirmed by a further progress report on developments in the space domain presented to the Space Council in September 2008.</p>

Justification of the selection of ESA

Indication in the legal bases: Delegation Decisions³⁷, GNSS Regulation³⁸, GMES Regulation³⁹ under the former EU MFF (2007-2013) and GNSS Regulation⁴⁰ and Copernicus Regulation⁴¹ under the new EU MFF (2014-2020).

Summary description of the implementing tasks entrusted to ESA

- industrial procurement activities for the completion of the infrastructure
- system design, integration, validation and technical management activities
- project management and system prime activities
- implementation of risk management methods
- qualification of operation processes and procedure
- signal provision
- for Copernicus Space Component, in cooperation with EUMETSAT, performs Joint Operations Management

As detailed in section 2.1.1.1 (A) of this report, 36 % of the DG GROW budget is delegated to the European Space Agency (ESA):

- 38 % for the GNSS programmes (EGNOS and Galileo)
- 54 % for the Copernicus programme
- 8 % for Horizon 2020

This annex provides details on the DG's supervision of ESA as Entrusted Entity.

ESA and its role in European space activities⁴²

ESA is an entirely independent intergovernmental organisation with 22 Member States. Not all EU Member States are members of ESA and not all ESA Member States are members of the EU. The two institutions have different ranges of competences and are governed by different rules and procedures. The two organisations share a joint European Strategy for Space and have developed the European Space Policy together.

ESA has been coordinating space activities through European programmes for more than 40 years. Its programmes are designed to find out more about Earth, its immediate space environment, our solar system and the universe, as well as to develop satellite-based technologies and services, and to promote European industries.

The ESA Council is ESA's governing body and provides the basic policy guidelines within which ESA develops its space programmes. Each Member State is represented on the ESA Council and has one vote, regardless of its size or financial contribution. The EU as an institution is not a member of ESA.

EU/ESA cooperation in space: the general framework

³⁷ Commission Decision C(2008)8556 final of 17.12.2008 delegating powers to ESA in accordance with article 54 (2) (c) of Council Regulation (EC)1605/2002, for the performance of tasks linked to the implementation of the Galileo Deployment Phase (2008-2013), and C(2013)9015 lastly amending the delegation of powers to ESA

³⁸ Regulation EC/683/2008 of 09.07.2008

³⁹ Regulation (EU) 911/2010 of 22.09.2010

⁴⁰ Regulation (EU) 1285/2013 of 11 December 2013 on the implementation and exploitation of European satellite navigation systems and repealing Council Regulation (EC) No 876/2002 and Regulation (EC) No 683/2008 of the European Parliament and of the Council

⁴¹ Regulation (EU) 377/2014 of 3 April 2014 establishing the Copernicus Programme and repealing Regulation (EU) No 911/2010

⁴² <http://www.esa.int/ESA>

The EU/ESA cooperation is a unique partnership of two leading European-level organisations providing joint leadership for Europe in the field of space. This cooperation was born from the shared belief that each partner needs the other to deliver on the public policy objectives, provide an appropriate political profile and a more coherent framework of space activities in Europe.

The cooperation has long-standing roots, with parallel EU and ESA Council Resolutions already in the 1990s, and in 2000 the creation of the first joint EC-ESA Paper, the European Strategy for Space, already showing the need for the two organisations to work together to develop the space policy agenda of Europe. Proposed by the Commission in 1999, the Galileo programme for radio navigation by satellite constituted the first large space project jointly funded by the Union and ESA.

This fruitful cooperation resulted in the conclusion in 2004 of the EC-ESA Framework Agreement, aiming at the progressive development of an overall European Space Policy by providing a common basis and appropriate operational arrangements for an efficient and mutually beneficial cooperation. In 2008, 2012 and 2016, the framework agreement was extended for a further 4 years.

DG GROW/ESA Delegation Agreements

GNSS Programmes (Galileo FOC and EGNOS)

According to EC Regulation 1285/2013 the Commission is responsible for the management of the European Global Navigation Satellite System (GNSS) programmes (Galileo and EGNOS). Within this legal framework the Commission entrusted ESA with the implementation of the Galileo Deployment Phase and the further implementation of the EGNOS Programme.

The Commission delegates to ESA the industrial procurement activities necessary for the implementation of the Full Operational Capability (FOC) phase of the Galileo programme and the development of the EGNOS programme. The measures financed under the GNSS Regulation must be implemented in accordance with the EU Financial Regulation *"without prejudice to measures required to protect the essential interests of the security of the EU or public security or to comply with EU export control requirements"*⁴³. The Delegation Agreement signed with ESA states that the procurement activities entrusted to ESA are implemented *"in full coordination with the Commission and in accordance with the EU Procurement Rules and specific guidelines of the GNSS Regulation"*.

The final decision concerning the award of the contracts as a result of Galileo FOC and EGNOS tenders is taken by the Commission following a recommendation of ESA. The contracts are signed by ESA in the name and on behalf of the Commission. ESA acts as an agent or representative of the EC, who remains the contracting authority.

ESA has a budget for its own operating costs under the three delegation agreements and provides details of the costs in its reports to the EC. This is valid for the costs until 30/6/2014 for Galileo FOC. As from 1/7/2014, ESA received for Galileo FOC a fixed remuneration covering all the tasks performed by ESA. For the EGNOS DA ESA provides details of its operating costs in its reports to the EC in relation to the activities covered still by this Delegation Agreement. A major part of the ESA remuneration for EGNOS activities is covered by the Working Arrangement (EGNOS) signed between GSA and ESA in 2015.

⁴³ Chapter V of GNSS Regulation 1285/2013

GALILEO

The implementation of the Galileo programme is technically and financially complex. It consists of three phases: In Orbit Validation (IOV) (2003-2015), deployment phase (2008-2020) and exploitation phase (as of 2014).

Development phase: Galileo IOV (In-Orbit Validation)

Galileo's Development phase was partly financed by the EC and partly by ESA until 2008. An additional budget of **EUR 559.5 million** was necessary to ensure the completion of this phase. The grant covering IOV tasks was extended until end of 2018 in order to cover the finalisation of running industrial contracts.

Deployment phase: Galileo FOC (Full Operational Capability)

A multiannual Delegation Agreement was signed between the Commission and ESA on 19 December 2008 for the Galileo FOC activities. Under this agreement, particularly complex contracts were awarded for each of the six work packages foreseen, using the Competitive Dialogue procedure⁴⁴. This Delegation Agreement (ESA FOC) amounts to EUR 2,472.8 million.

A second Delegation Agreement for an amount of EUR 1,770 million was signed in July 2014 covering the Deployment phase for the 2014-2020 period (ESA FOC-DC). On October 26th 2016, an amendment was signed to review the ESA remuneration and the industrial scope with an additional amount of EUR 715 million, making the total current delegated amount of EUR 2.485 million. Under this second FOC Delegation Agreement, ESA signed in 2018 three new contracts related to the procurement TUR (Test user receiver) activities and seven contract change notices for satellites activities (mainly batch 3).

EGNOS

In April 2009 the EC acquired the ownership of EGNOS. In October of that same year, the EC declared that EGNOS' basic navigation signal was operationally ready as an open and free service.

The European GNSS Agency (GSA), who is responsible for the operations of EGNOS signed a contract with ESSP for the provision of EGNOS services until 2021. The contract will secure the continuous and safe provision of the three services offered by EGNOS (Open Service (OS); Safety-of-Life (SoL); and Commercial Service or "EGNOS Data Access Server" (EDAS)) and covers also maintenance and upgrading the EGNOS system infrastructure.

In parallel, a Delegation Agreement for the further development of EGNOS was signed in 2008 and lastly amended in 2014 between the EC and ESA for a total amount of EUR 161.5 million. The estimated costs for the tasks carried out by ESA include the industrial procurement activities (EUR 118.8 million), the Artemis signal provision (EUR 4.3 million) and the ESA costs as design and procurement agent (EUR 38.4 million). The final report is expected in 2019.

Horizon 2020 ACTIVITIES

A Delegation Agreement was signed on December 2nd 2015 related to the evolution of

⁴⁴ Cf. Art 125 of the EU FR Implementing Rules (as applicable before the 2012 revision of the EU FR)

GNSS technology for the period 2015-2020. Four transfers of funds for an amount of EUR 186.4 million have been signed so far covering activities taking place within the period 2015-2018.

Amounts entrusted by DG GROW to ESA in 2018

The Commission transfers funds into ESA's account four times a year upon the submission of a detailed forecast of cash needs and quarterly implementation reports. ESA makes disbursements from a dedicated bank account. The account makes it possible to identify the transfers made by the Commission and to distinguish operations covered by the Delegation Agreement from ESA's other operations. A specific tool was developed to control at milestone level the correct recording of cost and payments in one specific year. It improves considerably the ex-ante controls done by the Commission.

Funds transferred by DG GROW to ESA in 2018 under the GNSS Delegation Agreements amounted to **EUR 270.0** million for Galileo FOC, **EUR 56.4 million** for H 2020 activities.

DG GROW supervision of the funds entrusted to ESA

According to provisions contained in the Delegation Agreements, monitoring of the implementation of the delegated funds can be structured under four main headings:

1. **Regular monitoring of activities**, including programme management, through desk monitoring and participation in ESA relevant meetings:
 - The Commission attends ESA Council meetings as well as subordinate bodies for all matters related to the GNSS programmes.
 - Programme management meetings between ESA, GSA and the Commission are held in general every month to review the monthly report/dashboard and in particular the management and technical implementation of the programme. The Commission also closely monitors the technical implementation of the programme through on-the-spot visits or through ESA segment project reviews with ESA segment responsables.
 - A monthly Directors meeting has been set up to discuss the status of the programme and the way forward.
 - The Commission follows very closely the procurement procedures carried out by ESA by participating in key stages of the process and in many meetings dedicated to procurement. Moreover, the final decision concerning the award of any contract is taken by the Commission. Before the contract award decision is taken by DG GROW (upon recommendation from ESA), the DG GROW Public Procurement team performs tailor-made independent ex-ante verifications at the key stages of the GNSS procurement procedures (call launch, tender evaluation, post-information and contract signature). Open procedures equal or superior to EUR 10 million and negotiated procedures equal or superior to EUR 1 million are submitted to the review of an Ad Hoc Committee composed of at least two Directors and one Deputy Director-General, independent from the GNSS programmes.
 - The Commission has the right to attend every meeting related to the implementation or procurement of activities funded under the Delegation Agreements. The Commission therefore attends in the Galileo and EGNOS Program change control Boards, Tender Steering Committees, ESA Tender Evaluation Board and Galileo and EGNOS Project Change Control Boards.
 - Reporting and recording of exceptions: each deviation from an established policy or procedure made under exceptional circumstances is documented and justified and

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approved at the appropriate level. A register is maintained and the relevant information systematically screened to identify significant risks.

- A joint EU-ESA task force has been established during 2012 to examine appropriate actions to be taken in light of audit findings, with also a view towards establishing suitable implementation/control mechanisms for post-2013 EU-ESA partnership arrangements.

DG GROW carries out its own ex-post financial audits of each programme's Annual Financial Report (AFR) in view of reconciliation with ESA's annual financial statements:

Result indicators: Indicators of annual error – IOV Grant

<i>(Amounts in €)</i>	Reported by ESA	Commission Audit report	Adjustment	Detected error rate	Implemented amount via clearing of pre-financing	Amount to be implemented
	(1)	(2)	(3)=(1)-(2)	(4)=(3)/(1)	(5)	(6)
Financial Report for 2009	256 900 000	256 529 000	371 000	0,14 %	371 000	0
Financial Report for 2010	113 040 381	110 567 684	2 472 697	2,19 %	2 472 697	0
Financial Report for 2011	117 836 629	114 953 662	2 882 967	2,45 %	2 882 967	0
Financial Report for 2012	58 350 348	58 350 348	0	0,00 %	0	0
Financial Report for 2013	6 307 959	6 307 959	0	0,00 %	0	0
Financial Report for 2014	2 847 843	2 847 843	0	0,00 %	0	0
Financial Report for 2015	5 580 237	5 324 079	256 158	4,59 %	256 158	0

Result indicators: Indicators of annual error – GALILEO FOC and EGNOS programmes

<u>GALILEO FOC & FOC-DC</u>						
(Amounts in €)	Reported by ESA	Commission Audit report	Adjustment	Detected error rate	Implemented amount via clearing of pre-financing	Amount to be implemented
	(1)	(2)	(3)=(1)-(2)	(4)=(3)/(1)	(5)	(6)
Financial Report for 2009	49 013 000	46 109 000	2 904 000	5,92 %	2 904 000	0
Financial Report for 2010	440 797 905	440 428 411	369 494	0,08 %	369 494	0
Financial Report for 2011	379 188 767	378 652 378	536 389	0,14 %	536 389	0
Financial Report for 2012	342 192 607	340 360 802	1 831 805	0,54 %	1 831 805	0
Financial Report for 2013	398 992 495	397 591 998	1 400 497	0,35 %	1 400 497	0
Financial Report for 2014	365 152 925	365 065 529	87 396	0,02 %	87 396	0
Financial Report for 2015	462 861 925	462 861 925	0	0,00 %	0	0
Financial Report for 2016	712 858 582	710 752 128	2 106 454	1.32%	2 106 454	0
Financial Report for 2017	389 193 535	389 193 535	0	0,00 %	0	0

<u>EGNOS</u>						
(Amounts in €)	Reported by ESA	Commission Audit report	Adjustment	Detected error rate	Implemented amount via clearing of pre-financing	Amount to be implemented
	(1)	(2)	(3)=(1)-(2)	(4)=(3)/(1)	(5)	(6)
Financial Report for 2009	9 083 677	8 779 763	303 914	3.35 %	303 914	0
Financial Report for 2010	8 938 034	10 819 473	-1 881 439	0 %	0	0
Financial Report for 2011	20 852 645	20 437 965	414 680	1.99 %	414 680	0
Financial Report for 2012	17 179 905	17 115 843	64 062	0.37 %	64 062	0

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Financial Report for 2013	47 296 592	47 086 921	209 671	0.44 %	209 671	0
Financial Report for 2014	25 047 048	21 666 079	3 380 970	13.50%	3 380 970	0
Financial Report for 2015	20 981 911	20 975 658	6 253	0.03%	6 253	0
Financial Report for 2016	10 620 722	10 564 645	56 077	0.53%	56 077	0

- DG GROW ex-post control team audits all annual financial/implementation reports (AFRs/AIRs) submitted by ESA. In 2017, the audits on the 2016 financial reports of FOC and EGNOS were launched but reports were finalised in 2018. The audits revealed detected error rates of respectively 1.32% and 0.53%. In 2018 the audit on the FOC 2017 financial report revealed no error. No audit was performed on EGNOS as all costs have been cleared. The results of audits are implemented through a reduction of the total eligible amount. Errors detected in the AFRs/AIRs have no impact on the legality and regularity of the amounts paid to ESA, because amounts paid depend both on costs declared and on cash-flows forecasts.
- The DG GROW GNSS Programme team closely monitors the implementation of previous years' audit results and takes the necessary measures to deduct non-implemented adjustments from following payments.

2. Monitoring through ESA reports

- The Agreement obliges ESA to provide details of the activities carried out in the following reports: quarterly, annual, ad-hoc and final reports which contain detailed information about the implementation of the contracts, the costs incurred, an update on estimated completion date and milestones and, in the final report, an inventory list of the assets handed over to the Commission. These reports include Key Decision Points (milestones for the implementation) of the GNSS programmes, through which it is possible to assess whether functional, financial or scheduling targets are met and if corrective measures are necessary.
- In the Annual Implementation Report ESA notably provides an overview of the year, an overview of the content of the risk register over the past year, including the results and effectiveness of any risk analysis and mitigation actions and a summary of the audits carried out by ESA and their main findings.
- Dedicated teams of technical and legal DG GROW staff carefully analyse these ESA reports and carry out on-the-spot visits when necessary.

3. High level management reporting

- Monthly meetings are held between the DG GROW and ESA Directors-General. The Director-General is briefed about all problems detected and which need to be addressed by ESA.
- Key DG GROW reports are prepared on the management of EU funds by ESA:

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- The DG GROW Management Plan (MP) shows the specific objectives and tasks necessary to achieve the general objectives. A set of indicators facilitates the monitoring process.
- Mid-term report on the achievement of the objectives set in the MP.
- Monthly financial monitor of budget execution.
- Biannual report to the Commissioner on management and internal control issues.
- DG GROW Annual Activity Report (AAR).

4. External (performance) monitoring by independent bodies:

- In 2013 and 2014, a re-assessment of ESA's control systems (accounting, internal control, own audit and procurement procedures) was outsourced by DG GROW to an independent external audit firm. Both assessments confirmed that ESA applies the EU procurement rules and its own audit, accounting and internal control rules and procedures which offer guarantees equivalent to internationally accepted standards.
- OLAF and the Court of Auditors or their representatives may also conduct documentary and on-the-spot checks on the use made of the EU funds under the Delegation Agreement. Due to the high amount of the payments to ESA and the Court's sampling methodology, audits are performed on a regular basis by the Court of Auditors.
- Feedback from the DG GROW Internal Audit Capability (IAC), the Commission's Internal Audit Service (IAS) and the European Court of Auditors (ECA) is provided. DG GROW systematically monitors the implementation of the action plans resulting from these financial and performance audits and duly reports on progress.
- Independent experts assist the Commission with regard to programme implementation and make recommendations in particular regarding risk management.
- In addition, the Director General of ESA asked an independent Commission composed of experts from leading Space Agencies to perform an analysis and to provide recommendations on plausible further improvements in the operational management of Galileo. This analysis resulted in five recommendations, which were addressed in 2014.
- The Galileo Inter-institutional Panel facilitates close cooperation between the EP, Council and the Commission and allows the three institutions to closely monitor GNSS programme implementation, international agreements with non-EU countries, the preparation of satellite navigation markets, the effectiveness of governance arrangements and the annual review of the work programme.

Copernicus Programme

The Copernicus programme, previously known as Global Monitoring for Environment and Security (GMES) is an EU-wide flagship programme that aims to support policymakers, business, and citizens with improved environmental information. Copernicus integrates satellite and in-situ data with modelling to provide user-focused information services. The Copernicus programme reached full operational status in 2014 for the infrastructure and is aiming to put in place all the necessary agreements for services by mid-2016. It is an EU-led initiative carried out in partnership with the Member States and ESA.

The origin of GMES date back to May 1998, when institutions involved in the development of space activities in Europe made a joint declaration known as the "Baveno Manifesto". The Manifesto called for a long-term commitment to the development of space-based environmental monitoring services, making use of, and further developing, European skills, and technologies.

The GMES-Copernicus concept was first presented to the EU Gothenburg Summit in 2001 and resulted in a Council Resolution requesting the Commission and ESA to proceed with its implementation. Following an exploratory initial phase undertaken in 2001 – 2003, the EU and ESA jointly proposed a 2004 - 2008 action plan enabling to meet the Council's request.

In 2005, the Union made the strategic choice of developing an independent European Earth observation capacity to deliver services in the environmental and security fields, which resulted ultimately in Regulation (EU) No 911/2010 of the European Parliament and of the Council of 22 September 2010 on the European Earth monitoring programme (GMES) and its initial operations (2011 to 2013).

In the phase before 2006, EU and ESA contributed to the **development** of GMES-Copernicus through their respective funding programmes of the 6th EU Research Framework Programme and the ESA Earth Watch Programme with an amount of around EUR 200 million. After 2006, further funding needed to be foreseen for the preparation and operation of the GMES-Copernicus **services**, as well as for the development of a dedicated **GMES-Copernicus Space Component (GSC)** of 5 Sentinel satellites.

Whereas the development of GMES-Copernicus services was continued (with increasing mutual technical consultation) within the separate funding programmes at EU and ESA, a mechanism was sought to contribute funding from the multi-annual EU 7th Research Framework Programme to the ESA GSC Programme as adopted by ESA Member States Council in late 2005.

A GMES Delegation Agreement formalising a contribution of EUR 624 million was signed by EU and ESA on 28 February 2008 (amended on 28 January 2009). This Delegation Agreement was amended in June 2011, enhancing the contribution to a total amount of **EUR 728** million from FP7 and the GMES regulation budgets.

The GMES Delegation Agreement defined the modalities for (i) cooperation of the Parties in the development of the Space Component and (ii) the budget implementation tasks entrusted to ESA in the framework of the FP7 Specific programme "Cooperation" and its theme "Space". It contains provisions as to the overall limit for ESA system design, integration, validation and technical management as well as for ESA management activities. It foresees a budget for ESA's own operating costs, of which ESA provides details in its reports to the EC. The annual amounts paid to ESA were not calculated on the basis of actual cost incurred in that period, but were fixed in the text of the Delegation Agreement and subsequent transfers were agreed as cash advances.

In 2013 the Commission proposed a new Regulation under the new MFF for the continuation of the GMES programme under the name Copernicus which was adopted in

the second quarter of 2014.

In implementing the tasks assigned to it under the delegation agreement, ESA applies its own audit, accounting, internal control and procurement rules and procedures which offer guarantees equivalent to internationally accepted standards.

In 2014, a new Copernicus Delegation Agreement for **EUR 3 148 million** (2014-2021) was signed with ESA for the continued development of the dedicated Copernicus satellites (Sentinels). During 2018 an amendment increasing the total delegated amount to **EUR 3 244 million** has been negotiated with ESA. The amendment was finalised in January 2019. The transfers of funds to ESA under the Copernicus Delegation Agreement are based on annual and quarterly reports submitted by ESA together with forecasts of cost and cash-flow needs for the next period.

1. Amounts entrusted by DG GROW to ESA in 2018

The amounts are transferred to ESA on a quarterly basis by way of a cash advance. The pre-financing for 2018 related to Copernicus, at the total amount of EUR 390 million, was aimed at covering the expenditure for construction of recurrent units, operations, access to contributing missions data, pre-financing of payments and the internal costs of the agency for the implementation of the Copernicus activities.

2. DG GROW supervision of budget entrusted to ESA

Supervision of the tasks delegated to ESA is in line with the management mode chosen for the implementation of the Delegation Agreement, which implies reliance on ESA's own control mechanisms. Against this background, monitoring of the Delegation Agreement is carried out through:

The Copernicus ESA Delegation Agreement (Article 11) has established the key institutional guarantee of the Procurement Board, as a special body under the Agreement designed to optimise the execution of the procurements to be made by ESA. That arrangement takes due account of the respective roles and responsibilities of both ESA and the Commission during the execution of such procurements and provides a timely and cost effective procedure for management of the process. It is composed of Commission staff, subject to pertaining rules of conflicts of interest and it is being chaired by a Commission authorising officer under the Financial Regulation.

Regular monitoring of the co-funded activities including desk monitoring and participation in ESA's relevant meetings as appropriate (Article 4 of GMES agreement and article Article 20 of the Copernicus ESA DA):

- The Commission attends ESA Council meetings as well as subordinate bodies for all matters related to GMES-Copernicus.
- The Commission also has the right to attend all meetings related to the review of system design and development as well as the evaluation of tenders for activities funded under the Agreements.
- The Commission reserves the right of auditing the procedures applied by ESA and the way the costs have been calculated.

Result indicators: Indicators of error – GMES/COPERNICUS

(Amounts in €)	Reported by ESA (EC accepted costs)	Commission Audit report (eligible costs)	Adjustment	Detected error rate	Imple- mented amount via clearing of pre- financing	Amount to be implem- ented
	(1)	(2)	(3)=(1)- (2)	(4)=(3)/(1)	(5)	(6)
Financial Report for 2009	80 401 424	79 566 603	834 821	1,04 %	834 821	0
Financial Report for 2010	137 657 344	113 959 263	23 698 081	17,22 %	23 698 081	0
Financial Report for 2011	171 487 659	171 029 224	458 435	0,27 %	458 435	0
Financial Report for 2012	104 124 840	102 058 630	2 066 210	1,98 %	2 066 210	0
Financial Report for 2013	78 518 254	78 524 613	-6 359	0,00 %	-6 359	0
Financial Report for 2014	136 135 061	136 133 236	1 825	0,001%	1 825	0
Financial Report for 2015	183 930 223	183 930 223	0	0,00%	0	0
Financial Report for 2016	651 537 638	651 527 254	3 431	0,001%	3 431	0
Financial Report for 2017	556 348 956	556 348 956	0	0,00%	0	0

DG GROW ex-post controls cover all Annual Financial Reports (AFR) submitted by ESA. The audit of the 2017 financial reports was finalised at the end of 2018. No errors were reported. Regular Audits and corresponding corrections ensure that, on a multi-annual basis, the total amount paid under the Delegation Agreement will be compliant with the eligibility rules and will not exceed the limits defined in the Delegation Agreement.

- Due to the amount of the payments to ESA and the Court's sampling methodology, audits are performed on a regular basis by the Court of Auditors. (Article 29 of the Copernicus ESA DA).

3. Monitoring through ESA reports

The Delegation Agreement obliges ESA to submit to the Commission quarterly implementation reports, Annual Financial Reports to account for the use of EU and ESA funds spent on the development of the various GMES-Copernicus system components, a final report summarising the implementation of tasks covered by the Agreement as well as ad-hoc reports including information equivalent to that provided by the Commission to the Copernicus Programme Committee. (Article 19 of the Copernicus ESA DA)

Furthermore it foresees that ESA provides to the Commission its reports on ex-post controls in place – amongst others the audit of the Agency's financial statements provided by the independent ESA Audit Commission.

4. High level management reporting:

Monthly meetings are held between the DG GROW and ESA Directors-General. The Director-General is briefed about all problems detected and which need to be addressed by ESA.

Key DG GROW reports are prepared on the management of EU funds by ESA:

- The DG GROW Management Plan (MP) shows the specific objectives and tasks necessary to achieve the general objectives. A set of indicators facilitates the monitoring process.
- Mid-term report on the achievement of the objectives set in the MP.

5. External (performance) monitoring by independent bodies:

- Regular re-assessments, conducted in the past by independent external audit firms, of ESA's control systems (accounting, internal control, own audit and procurement procedures) confirm that ESA applies the EU procurement rules and its own audit, accounting and internal control rules and procedures which offer guarantees equivalent to internationally accepted standards.
- OLAF and the Court of Auditors or their representatives may also conduct documentary and on-the-spot checks on the use made of the EU funds under the Delegation Agreement. Due to the high amount of the payments to ESA and the Court's sampling methodology, audits are performed on a regular basis by the Court of Auditors.
- Feedback from the Commission's Internal Audit Service (IAS) and the European Court of Auditors (ECA) is provided. DG GROW systematically monitors the implementation of the action plans resulting from these financial and performance audits and duly reports on progress.

II. Additional Entrusted entities for Copernicus Infrastructure and Services

Pursuant to the Articles of the Delegation Agreement, the Entrusted Entity shall apply its audit, accounting, and procurement and grant award procedures, as laid down in its Financial Regulation. The EC has ascertained that the newly entrusted entities below comply with the requirements set forth in Article 62 of the EU Financial Regulation 966/2012 and that the delegation of budget implementation tasks ensures compliance with the principles of sound financial management, non-discrimination and visibility of Union action foreseen in Article 154 of the EU Financial Regulation. This was achieved by the performance of an independent external ex-ante assessment prior to the signature of a Delegation Agreement.

The budget is implemented through procurement and own activities. All three Copernicus Delegation Agreements foresee in Article 5 direct costs for the implementation of the entrusted tasks as well as indirect costs linked to the implementation of the entrusted tasks. The remuneration costs are identified in the Agreement and do not exceed 7% of the total of the direct eligible costs.

The Copernicus Delegation Agreements foresee two requests for payment each year to cover the expenditure needs of the respective Entity. At this stage compliance with the DA articles related to the monitoring of the action is verified, i.e.: approval of the quarterly implementation report covering the preceding financial year and prior adoption of the Copernicus annual work programme.

Financial audits of the entrusted entities are performed on a yearly basis (for the first time in 2016). All entrusted entities will also undergo compliance audits during the lifetime of their delegation agreements.

EUMETSAT
(European Organisation for the Exploitation of Meteorological Satellites)

<p>Programmes concerned</p> <p>Copernicus Infrastructure</p>
<p>Annual budgetary amount entrusted</p> <p>Amounts transferred in 2018: EUR 41.4 million</p>
<p>Delegation Agreement</p> <p>The multi-annual Delegation Agreements were signed with the European Space Agency (ESA), EUMETSAT, Mercator Océan and ECMWF in 2014, in line with the current EU MFF (2014-2020).</p> <p>The maximum amount to be delegated to Eumetsat under this Agreement was initially EUR 229M. During 2018 an amendment increasing the total delegated amount to EUR 254M has been negotiated with Eumetsat. The amendment was finalised in January 2019..</p>
<p>Justification of the recourse to indirect management</p> <p>The key objectives of EUMETSAT being the European Organisation for the Exploitation of Meteorological Satellites are to establish, maintain and exploit European systems of operational meteorological satellites, and to contribute to the operational monitoring of the climate and the detection of global climatic changes. Its role as a contributor to the GMES/Copernicus programme was recognised by the Council Resolution on Taking Forward the European Space Policy adopted on 26 September 2008.</p> <p>EU Regulation No 377/2014 of 3 April 2014 which established the Copernicus Programme confirmed EUMETSAT as an Entrusted Entity to take over responsibilities in operating the dedicated missions and providing access to contributing mission data.</p>
<p>Justification of the selection of EUMETSAT</p> <p>The Copernicus Regulation stipulates that the Commission shall conclude delegation agreements with ESA and with the European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT) entrusting them with tasks related to the Copernicus space component for the period 2014-2020.</p>
<p>Summary description of the implementing tasks entrusted to EUMETSAT</p> <p>According to its mandate and expertise EUMETSAT has been entrusted with the operations of dedicated satellites and instruments (Jason-3, Sentinel 3 for marine observations and Sentinels 4, 5 and 6) and the respective ground segment, including the distribution and dissemination of Copernicus data. The financing specified above covers the expenditure for operations, access to contributing missions data, pre financing of payments and the internal costs of the agency for the implementation of the Copernicus activities.</p>

Result indicators: Indicators of error – EUMETSAT/COPERNICUS

(Amounts in €)	Reported by Eumetsat	Commission Audit report	Adjustment	Detected error rate	Implemented amount via clearing of pre-financing	Amount to be implemented
	(1)	(2)	(3)=(1)-(2)	(4)=(3)/(1)	(5)	(6)
Financial Report for 2014	339 061	341 708	- 2 647	0,00%	- 2 647	0
Financial Report for 2015	5 788 694	5 815 842	- 27 148	0,00%	- 27 148	0
Financial Report for 2016	20 494 837	Not audited				
Financial Report for 2017	27 779 921	27 085 987	693 933	2.5%	693 933	0

Remark: the audit findings in 2014 and 2015 were in favour of Eumetsat.

Mercator Océan

<p>Programmes concerned</p> <p>Copernicus Services - Marine Environment Monitoring Service</p>
<p>Annual budgetary amount entrusted</p> <p>Amounts transferred in 2018: EUR 30.2million</p>
<p>Duration of the delegation</p> <p>On 11 November 2014, a Delegation Agreement was signed with Mercator Océan for a total contract value of EUR 144 million for the seven years of the MFF (2014-2020).</p>
<p>Justification of the recourse to indirect management</p> <p>In the implementation of the Copernicus service component, the Commission may rely, where duly justified by the special nature of the action and specific expertise, on competent entities, such as the European Environment Agency, the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (FRONTEX), the European Maritime Safety Agency (EMSA) and the European Union Satellite Centre (SATCEN), the European Centre for Medium-Range Weather Forecasts (ECMWF), and other relevant European agencies, or other bodies potentially eligible for a delegation in accordance with the Financial Regulation.</p>

Justification of the selection of Mercator Océan

The Copernicus Regulation foresees that the Commission may conclude delegation agreements with competent entities entrusting them with tasks related to the Copernicus service components for the period 2014-2020.

Summary description of the implementing tasks entrusted to Mercator Océan

Coordination of the technical implementation of the Marine Environment Monitoring Service (MEMS) and dissemination/archiving activities, as defined in Annex I of the Copernicus Delegation Agreement.

The Copernicus Marine Environment Monitoring Service (CMEMS): The service has become fully operational in 2016 and supplies high value added products relevant to "Blue Growth" and marine environmental monitoring and climate. The number of users regularly accessing the products offered by CMEMS has continued to grow reaching nearly 15 000 users.

In 2018, all products benefit from Sentinel 3A and the integration of Sentinel 3B is on the way after it was moved to its nominal position. The version 4 of the catalogue has been released including wave products. The annual update of the Copernicus Ocean State Report has been published which highlights changes in the marine environment due to climate change, a valuable EU milestone and important contribution to the Sustainable Development Goal 14 (SDG 14). Mercator-Ocean extended its shareholding to 4 additional organisations from 4 different European countries in order to become a European ocean forecasting centre.

Result indicators: Indicators of error – MERCATOR/COPERNICUS

<i>(Amounts in €)</i>	Reported by MERCATOR	Commission Audit report	Adjustment	Detected error rate	Implemented amount via clearing of pre-financing	Amount to be implemented
	(1)	(2)	(3)=(1)-(2)	(4)=(3)/(1)	(5)	(6)
Financial Report for 2014	181 128	180 341	786	0.43%	786	0
Financial Report for 2015	11 323 190	11 310 953	12 237	0.11%	12 237 366	0
Financial Report for 2016	19 328 239	19 319 822	8 417	0.11%	8 417	0
Financial Report for 2017	21 226 506	Not audited				

ECMWF (European Medium Range Weather Forecasting Centre)

<p>Programmes concerned</p> <p>Copernicus Services</p>
<p>Annual budgetary amount entrusted</p> <p>Amounts transferred in 2017: € 40.2 million</p>
<p>Duration of the delegation</p> <p>On 11 November 2014, a delegation agreement was signed with ECMWF for a total contract value of € 291 million for the seven years of the MFF (2014-2020).</p>
<p>Justification of the recourse to indirect management</p> <p>In the implementation of the Copernicus service component, the Commission may rely, where duly justified by the special nature of the action and specific expertise, on competent entities, such as the European Environment Agency, the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (FRONTEX), the European Maritime Safety Agency (EMSA) and the European Union Satellite Centre (SATCEN), the European Centre for Medium-Range Weather Forecasts (ECMWF), other relevant European agencies, groupings or consortia of national bodies, or any relevant body potentially eligible for a delegation in accordance with the Financial Regulation.</p>
<p>Justification of the selection of ECMWF</p> <p>The Copernicus Regulation foresees that the Commission may conclude delegation agreements with competent entities entrusting them with tasks related to the Copernicus service components for the period 2014-2020.</p>
<p>Summary description of the implementing tasks entrusted to ECMWF</p> <p>Coordination of the technical implementation of the Atmospheric Monitoring and Climate Change services and dissemination/archiving activities, as defined in Annex I of the Copernicus Delegation Agreement.</p> <p>In 2016, the Entrusted Entity provided the Copernicus Atmosphere Monitoring Service in operational mode and carried out the proof-of-concept phase of the Copernicus Climate Change Service, involving in particular the following activities:</p> <ul style="list-style-type: none"> • Provision of data and products in an operational mode according to the product portfolio of CAMS and the ramp-up planning of C3S; • Development and procurement of the infrastructure required for the provision of both services, this includes the maintenance of back-up systems and service recovery mechanisms; • Support of users through helpdesk, documentation, and preparation of training; • Change management and corresponding continuous development work for the integration of newly available input data and response to user requests and findings from wider research activities; this includes the uptake of either test data sets or actual data from Sentinel missions; • Communication and outreach to link existing and new users with the operational service.

Result indicators: Indicators of error – ECMWF/COPERNICUS

<i>(Amounts in €)</i>	Reported by ECMWF	Commission Audit report	Adjustment	Detected error rate	Imple- mented amount via clearing of pre- financing	Amount to be imple- mente d
	(1)	(2)	(3)=(1)- (2)	(4)=(3)/ (1)	(5)	(6)
Financial Report for 2017	41 836 912	41 836 912	0	0.0%	0	0

ANNEX 7: EAMR of the Union Delegations

Not applicable to DG GROW.

ANNEX 8: Decentralised agencies

A decentralised agency⁴⁵, also referred to as traditional or regulatory agency, is an EU body governed by European public law. Decentralised agencies carry out technical, scientific or managerial tasks that help the EU institutions make and implement policies. They also support cooperation between the EU and national governments by pooling technical and specialist expertise from both the EU institutions and national authorities.

Decentralised agencies are located across the EU. They are governed by an Administrative or Management Board, which as a rule is composed of representatives of all Member States, and which defines the agency's operating guidelines within the legal framework established by the legislator. The Board is also responsible for the adoption of the agency's work programme and budget.

Most decentralised agencies are funded entirely by contributions from the EU budget, as described above. Some agencies, however, depend fully or partially on other revenue, such as revenue received from industry (fees).

The two agencies under the responsibility of DG GROW are the European Chemicals Agency (**ECHA**) and the European GNSS Agency (**GSA**).

Furthermore, DG GROW has delegated budget implementation to the European Environment Agency (**EEA**), the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (**FRONTEX**), the European Agency for Maritime safety (**EMSA**), European Defence Agency (**EDA**) and the European Union Satellite Centre (**SatCen**).

⁴⁵ http://europa.eu/about-eu/agencies/index_en.htm

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The table below provides the main details for the above decentralised agencies:

Agency	Policy concerned	DG GROW payments to Agency in 2018 (in € million)	
		Subsidy*	Entrusted amount**
ECHA	Chemicals – implementation of REACH and CLP Regulations	24.9	1.6
GSA	<ul style="list-style-type: none"> ➤ <u>Mandated activities:</u> GNSS programmes – EGNOS and Galileo <i>Security (security accreditation, operation of Galileo Security Monitoring Centre)</i> <i>Commercialisation of the systems</i> ➤ <u>Delegated activities:</u> GNSS programmes – EGNOS and Galileo EGNOS exploitation Galileo exploitation <i>Contribution to the development of PRS (Public Regulated Service)</i> <i>Preparatory activities for exploitation of the systems</i> GNSS-related research <i>7th research Framework Programme (FP7) H2020</i> 	32,2	712.7
EEA	Space – GMES/Copernicus programme (European Land Service, and in-situ data coordination)	0	19.8
FRONTEX	Space – Copernicus programme – Copernicus Security Service	0	9.4
EMSA	Space – Copernicus programme – Copernicus Security Service	0	7.4
EDA		0	28.4
SATCEN-EAS	Industrial policy – manufacturing.	0	6.2

* For operational implementation by the agency on behalf of DG GROW

** To cover part of the administrative costs of the agency

European Chemicals Agency (ECHA)

ECHA is located in Helsinki and started operating in June 2007. Its mission is to ensure a high level of protection of human health and the environment in the EU, to ensure consistency in chemicals management across the EU and to provide technical and scientific advice on safety and socio-economic issues related to the use of chemicals.

The Agency is responsible for co-ordinating the duties introduced by the REACH Regulation (EC) N°1907/2006, the Regulation (EC) N° 1272/2008 on the classification, labelling and packaging of substances and mixtures, the biocides regulation (EU) N° 528/2012 and more recently was entrusted the responsibility of the recast PIC regulation (EU) N° 649/2012 which concerns export and import of dangerous chemicals. It manages the registration, evaluation, authorisation and restriction processes for chemical substances and the harmonisation of classification and labelling processes. These processes are designed to provide additional information on chemicals, to ensure their safe use and to enhance the competitiveness of the EU industry.

In accordance with the REACH Regulation (No 1907/2006), ECHA is financed through fees paid by industry and by a possible EU balancing subsidy as referred to in Article 185 of the General EU Financial Regulation.

A balancing subsidy of EUR 24.5 million was paid to ECHA in 2018.

At the end of 2018, ECHA had 594 posts (TA, CA and SNE) for all its activities and an expenditure of EUR 104.1 million in commitment appropriations and EUR 104.3 million in payment appropriations (for REACH and CLP).

The ECHA's governing body, the Management Board, is composed of representatives from the Member States, the European Parliament, the European Commission (DG GROW, DG ENV, DG SANTE), and three members without voting rights appointed by the Commission representing industry, trade unions and NGOs. The Agency has established a Member State Committee, a Risk Assessment Committee and a Socio- Economic Analysis Committee, and a Forum of national enforcement authorities.

Supervision mechanism

The DG GROW unit in charge of REACH has very frequent contacts on a day-to-day basis with ECHA which enables constant monitoring of its functioning. These contacts include numerous meetings and various other forums, e.g. video conferences.

In addition to this, the following other supervision mechanisms are in place:

- A DG GROW Deputy Director-General is a member of ECHA's Management Board (MB) as one of the three Commission representatives. He participates in four working groups (WG) of the MB:
 - WG for planning and reporting, including preparation of ECHA's work programme
 - WG for audit
 - WG for transfers of a portion of the fees from ECHA to Member States
 - Advisory WG on the dissemination of public information on chemical substances
- Participation as observers to the following bodies of the Agency:
 - MB and its working groups "planning and reporting", "audit", "transfer of fees" and "dissemination of public information on chemical substances"
 - Member State Committee (MSC)
 - Committee for Risk Assessment (RAC)
 - Committee for Socio-economic Analysis (SEAC)
 - Forum for Exchange of Information on Enforcement (FORUM)

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- HelpNet
- Participation as members to the following networks convened by the Agency:
 - Security Officers Network
 - REACH Communicators' Network
- The following reports were generated on the working of the Agency:
 - ECHA 2017 General Report, covering financial as well as operational activities
- The balancing subsidy was paid in three instalments and against the provision of a cashflow in accordance with the arrangements agreed in the MoU signed with the Agency on payment of EU subsidy.

Supervision activities performed in 2018

Besides the participation in the governance bodies listed above in 2018 DG GROW:

- *Budget of the Agency – procedure for the Draft Budget 2019*
 - evaluated the request for appropriations and staff coming from the Agency and followed up on the budget procedure.
- *ECHA's draft Single Programming Document (SPD) 2019-2021*
 - contributed to the preparation of the SPD 2019-2021. The Commission also issued an opinion on the SPD in September 2018
- *Discharge 2017*
 - followed up the discharge for financial year 2016 and 2017;
- *Common Approach on decentralised agencies*
 - participated in the network of desk officers for agencies coordinated by the Secretariat General and contributed to the follow-up of the Common Approach on decentralised agencies managed by the Secretariat General
- *HR*
 - implemented the Roadmap of the Common Approach on EU decentralised agencies endorsed in July 2012 by the European Parliament, the Council and the Commission.
 - Drafted and adopted decision in relation to the implementing rules of the Staff Regulation in decentralised agencies.
 - Launched the selection procedure for the future Chair of ECHA Board of Appeal to provide the appointing authority of ECHA (the Management Board) with the list of shortlisted candidates in accordance with Article 89(3) of REACH Regulation.

Internal Audit Service (IAS)

According to ECHA's Financial Regulation, the Internal Auditor for ECHA is the Internal Auditor of the European Commission (IAS).

In 2017 the IAS performed a Risk Assessment of ECHA. The assessment presents the key risks and proposes topics for future IAS audits for 2018-2020.

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In 2018 the IAS conducted an audit on Conflict of Interest and Ethics.

In 2018, the Internal Audit Capability of ECHA carried out assurance audits on

- a) Follow-up of Audit of the Expert groups in ECHA*
- b) External communication and media management*
- c) IMS quality audit in co-operation with the Quality manager*
- d) Follow-up of Audit of the Substance evaluation (including conflicts of interest verification)*
- e) Reporting and monitoring of the budget execution*

Audit report 2017 European Court of Auditors (ECA)

For ECHA the Court emphasised that the Agency is partly self-financed and receives a fee from every company applying for the registration of chemicals as required under the REACH Regulations. The Agency calculates and invoices the fees on the basis of information provided by the companies on application. Ex-post verifications by the Agency identified the need for considerable fee corrections, with the total amount of corrections being unknown at the end of 2017.

Actions plans have been put in place and their implementation is supervised by the Management Board through its Working Group on Audit Matters.

European GNSS Agency (GSA)

The European Global Navigation Satellite Systems Agency (GSA⁴⁶) was created by Regulation 912/2010 of 22 September 2010⁴⁷. The current legal base aligns the Agency's mandate with what is stipulated in the GNSS Regulation (No 1285/2013) and further develops the work the Agency has to undertake in the domain of security.

Among other tasks, GSA performs the implementation of the Galileo and EGNOS programmes, including programme management tasks, and is accountable for them. Those tasks are entrusted by the Commission by means of delegation agreements adopted on the basis of a delegation decision, and include:

- a) operational activities including systems infrastructure management, maintenance and continuous improvement of the systems, certification and standardisation operations and provision of services
- b) development and deployment activities for the evolution and future generations of the systems, and contribution to the definition of service evolutions, including procurement
- c) promoting the development of applications and services based on the systems, as well as raising awareness of such applications and services, including identifying, connecting and coordinating the network of European centres of excellence in GNSS applications and services, drawing on public and private sector expertise, and evaluating measures relating to such promotion and awareness-raising
- d) promoting the development of fundamental elements, such as Galileo-enabled chipsets and receivers

The main supervising body is the Agency's Administrative Board where the Commission is represented with four votes, alongside the Member States which have one vote each.

The GSA Regulation (EU) N° 912/2010 has been amended by Regulation (EU) N° 512/2014 of 16 April 2014, through which its contents have been aligned to the new GNSS Regulation. The Regulation:

- a) ensures an independent security accreditation scheme
- b) incorporates relevant elements of the Common Approach agreed between Council, Parliament, and Commission with respect to decentralised agencies to improve the coherence, effectiveness, accountability and transparency of these agencies, and
- c) ensures appropriate staffing of the GSA.

At the end of 2018, GSA had 128 staff and a budget of EUR 32.2 million.

Supervision mechanism

As concerns the Agency's **mandated activities**, the Commission's supervision is exercised as laid out in the Agency's basic act which confer certain responsibilities to the Administrative Board (of which the Commission is a member), and more specifically: Board appointing, adopting the Work Programme, supervising the budget and overseeing the set-up and operation of the Galileo Security Monitoring Centre.

The Regulation also bestows additional rights on the Commission, namely the right of veto over the Work Programme and over the exercise of disciplinary authority over the Executive Director and the responsibility for preselecting the list of candidates for the post of the Agency's Executive Director.

⁴⁶ Formerly known as the GNSS Supervisory Authority.

⁴⁷ REGULATION (EU) No 912/2010 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 22 September 2010 setting up the European GNSS Agency, repealing Council Regulation (EC) No 1321/2004 on the establishment of structures for the management of the European satellite radio navigation programmes and amending Regulation (EC) No 683/2008 of the European Parliament and of the Council and amended by Regulation 512/2014 of 16 April 2014. The Regulation 912/2010 entered into force on 9 November 2010.

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As far as the **delegated activities** of the Agency are concerned, the Delegation Agreements in force provide for regular reporting from the Agency to the Commission on the work it has carried out and supervision of Agency's procurement activities by the Commission through a right of scrutiny before the launch of procurement processes and before the award of these procurements.

Supervision activities performed in 2018

In addition to the above, DG GROW also processed the budget request coming from the Agency and followed up on the budget procedure.

DG GROW participated actively in the meetings of the Administrative Board that took place in the course of 2018. It regularly informed the Board members of the state of play in other areas of the GNSS Programmes and intervened in discussions to ensure overall coherence of activities, in line with its mandate as manager of the GNSS Programmes.

The Commission exercised the supervisory tasks provided for in the existing delegation agreements. Regular implementation reports and procurement documentation submitted by the Agency were revised for Galileo and EGNOS.

The Agency is closely involved in the security management of Galileo and the activities to achieve security accreditation prior to satellite launches. It also manages activities related to satellite navigation market preparation. For both areas, regular coordination meetings were organised between the Commission and the Agency.

GSA is audited annually by the European Court of Auditors (ECA) and the submitted annual financial/implementation reports (AFRs/AIRs) are also audited by external independent auditors.

DG GROW ex-post control team audits all annual financial/implementation reports (AFRs/AIRs) submitted by GSA. Errors detected in the AFRs/AIRs have no impact on the legality and regularity of the amounts paid to ESA, because amounts paid depend both on costs declared and on cash-flows forecasts.

Ex-post audits were performed in December 2017 at GSA on the 2016 annual reports for Galileo and Egnos. For both audits material errors were found (4.42% detected error rate for Galileo and 2.45% detected error rate for EGNOS). Audits were also performed in 2018 on the annual financial/implementation reports for 2017 submitted by GSA for Egnos and Galileo. Minor errors were encountered (detected error rates 0.01% and 0.49% respectively). The cumulative detected error rate for GSA over 2017 and 2018 is 0.58%. These errors are mostly related to booking of costs in the wrong accounting period. They will be corrected in the next submitted AIR.

Although DG GROW does not receive currently the results of the controls performed by GSA on the delegated costs, DG GROW acquires the necessary assurance on their efficiency through the performed ex-post audits (verification of procedures in place is made while verifying accuracy of figures of AIR), the declaration of ECA and the external auditors.

Result indicators: Indicators of annual error – GALILEO and EGNOS programmes

<u>GALILEO</u>						
(Amounts in €)	Reported by ESA	Commission Audit report	Adjustment	Detected error rate	Implemented amount via clearing of pre-financing	Amount to be implemented
	(1)	(2)	(3)=(1)-(2)	(4)=(3)/(1)	(5)	(6)
Financial Report for 2016	19 488 475	18 628 058	860 417	4.42 %	860 417	0
Financial Report for 2017	432 571 139	432 518 462	52 677	0.01 %	52 677	0

<u>EGNOS</u>						
(Amounts in €)	Reported by ESA	Commission Audit report	Adjustment	Detected error rate	Implemented amount via clearing of pre-financing	Amount to be implemented
	(1)	(2)	(3)=(1)-(2)	(4)=(3)/(1)	(5)	(6)
Financial Report for 2016	98 028 677	95 625 748	2 402 929	2.45 %	2 402 929	0
Financial Report for 2017	103 969 092	103 464 571	504 521	0.49 %	504 521	0

The DG GROW GNSS Programme team closely monitors the implementation of previous years' audit results and takes the necessary measures to deduct non-implemented adjustments from following payments.

European Environment Agency (EEA)

EEA has been identified as the organisation entrusted to implement the pan-European and local components of the GMES/Copernicus Initial Operations Land Monitoring Services. The implementation of this land monitoring service builds on the successful experience by EEA and European Environment Information and Observation Network (Eionet) with GMES land precursor services 2006, especially Image 2006, CORINE change layer 2000-2006, and the first high resolution layer on imperviousness, which provided an indicator for the level of anthropogenic sealing of soils.

DA GMES Land Monitoring services (2011-2015)

Pursuant to the Regulation (EU) No 911/2010 of the European Parliament and of the Council of 22 September 2010 on the European Earth Monitoring Programme (GMES/Copernicus) and its initial operations (2011 to 2013), a Delegation Agreement was signed between the Commission and the EEA. The period of execution was between May 25th, 2011 and December 31st, 2015. The tasks delegated to EEA under this Agreement related to the coordination of the technical implementation of the pan-European continental and local components of the GMES/Copernicus land monitoring service as well as to dissemination, archiving and cataloguing of the information and products generated by the above referred components of the GMES/Copernicus land monitoring service. The GIO final report was delivered in March 2016.

DA Copernicus (2014-2020)

As from the 1st of December 2014, EEA assumed the role of technical coordinator of the Pan-European and Local components of the Copernicus land monitoring service (DA signed on December 1st 2014). The Copernicus land monitoring service is operational, and provides geographical information on land cover, land use, vegetation state and the water cycle.

The indicative profile of commitments in the budget of the EU for the entrusted tasks to be carried out by the EEA over the operational implementation phase 2014-2020:

- Pan-European component and local component: EUR 79 million
- Cross-cutting in situ component: EUR 8 million.

Supervision mechanism

Pursuant to Article 14 of the Copernicus EEA DA, the Agency is to carry out its own ex-ante and ex-post controls including, where appropriate, on-the-spot checks on risk-based samples of transactions to ensure that the implementing transactions are legal and regular and that actions financed from the Union Budget are effectively carried out and implemented correctly.

The Agency has to comply with strict reporting obligations, set in Articles 21 to 24 of the DA, providing for regular annual implementation reports, quarterly reports, plus ad hoc and final reporting in view of the respective circumstances. Article 21 also requires the annual accounts to be accompanied by an opinion or draft/preliminary opinion of an independent audit body.

Then, in Article 28 it is foreseen, and it is regularly implemented, that the Agency activities shall be in their turn subjects to checks, audits, investigations and evaluations by the Commission, OLAF and the European Court of Auditors.

All these measures, taken in conjunction, provide for solid supervision system of the respective agency's implementing activities.

In the beginning of 2018 the DG GROW ex-post team performed an audit on the annual financial/implementation report for 2016 submitted by EEA for Copernicus. The audit

revealed material errors (3.7% detected error rate). They will be corrected in the 2018 AIR.

European Border and Coast Guard Agency (FRONTEX)

The European Commission signed a Delegation Agreement on November 10th 2015 with FRONTEX to implement satellite-based information services dedicated to border surveillance, as part of the Security Service of Copernicus (the European Earth Observation and Monitoring Programme).

FRONTEX has to work with Member States and relevant actors in close cooperation with the Commission, making use of Earth Observation data and European industry capacities for increased border situation awareness and improved assessment of risk.

A service portfolio has been agreed with FRONTEX, with services grouped in three main categories: Land, Maritime and Environmental, all contributing to increasing situation awareness in South European and Western borders.

In 2018, Frontex continued the delivery of 11 different sub services of borders surveillance services.

The delegation agreement defines the means by which the FRONTEX can implement the entrusted tasks, in particular the budget and the actions to be implemented, in full compliance with Article 154(4) of the Financial Regulation.

The agreement has been negotiated on the basis of the implementation framework set by the relevant Commission Implementing Decision Commission Implementing Decision⁴⁸ that authorised the Director-General of DG GROW to sign it after prior information to the Commission. The implementation period of the agreement runs until 31 December 2021. The maximum EU budget delegated amounts to EUR 47.6 million. These appropriations shall cover:

- (a) expenditure related to the implementation of the procurement and grant activities;
- (b) the remuneration of the Agency for the implementation of the entrusted tasks.

Supervision mechanism

The Commission, under the lead of DG GROW, monitors and assesses on a regular basis the implementation of the tasks delegated to FRONTEX. Such process is based, in particular, on the completion of the milestones as defined in the annual work programmes submitted by FRONTEX (Article 21 of the DA).

The agreement ensures that the Commission, the European Anti-fraud Office (OLAF) and the Court of Auditors or their authorised representatives, may at any time during the implementation of the entrusted tasks and up to five years after the payment of the balance carry out checks and audits on the implementation of the entrusted tasks (Article 24 of the DA).

The Commission may also carry out interim or final evaluations of the impact of the implementation of the entrusted tasks evaluated against the objectives of the Copernicus programme (Article 19 of the DA).

⁴⁸ Commission Implementing Decision of 29.09.2015 on a delegation agreement with the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union in the Framework of the Copernicus programme (C(2015)4340 final).

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FRONTEX sets up and ensures the functioning of effective and efficient internal control systems, which are aimed at providing reasonable assurance as to the achievement of the internal control objectives as defined in article 32(2) of the Financial Regulation including notably the reliability, completeness and valuation of the inventories of the tangible and intangible assets produced or acquired under the programme (Article 7.2 of the DA).

The contracts tendered by FRONTEX do provide the ownership of all tangible and intangible assets developed or created to the European Union under the delegated activities (Article 18 of the DA).

Supervision activities (conducted on a regular annual basis)

The operational and budgetary discharge supervision is mainly based on the evaluation and verification of the submitted by the entrusted entity Annual Implementation report (AIR), and the intermediate submitted on the Semestrial implementation reports (SIR) (Articles 20 and 21 of the DA).

In 2018 the DG GROW ex-post team performed an audit on the annual financial/implementation report for 2017 submitted by Frontex for Copernicus. The audit report is still in the contradictory process.

European Maritime Safety Agency (EMSA)

With the Delegation Agreement signed by the European Commission with the European Maritime Safety Agency (EMSA) on December 3rd, 2015 the Agency is entrusted with the operation of the Maritime surveillance component of the Copernicus Security Service.

EMSA is committed to support the monitoring of the maritime areas, within and outside the European Union, using space data fused with other sources of maritime information.

Activities from the end of 2015 and throughout 2017 have been concentrated on the mobilisation of user communities, validating their requirements and building up capacities in EMSA to supply services onwards.

The delegation agreement defines the means by which the EMSA can implement the entrusted tasks, in particular the budget and the actions to be implemented, in full compliance with Article 154(4) of the Financial Regulation and with Article 40 of the rules of application of the Financial Regulation.

The agreement has been negotiated on the basis of the implementation framework set by the relevant Commission Implementing Decision⁴⁹ that authorised the Director-General of DG GROW to sign it after prior information to the Commission. This Decision lays down the actions to be implemented, the amount of the entrusted funds and the conditions for their management in view of ensuring that tasks will be carried out within the limits of the budget allocated, the schedule foreseen and the performance expected. The implementation period of the agreement runs until 31 December 2021. The maximum EU budget delegated amounts to EUR 40 million. These appropriations shall cover:

- (a) expenditure related to the implementation of the procurement;
- (b) the remuneration of the Agency for the implementation of the entrusted tasks

Supervision mechanism:

The Commission, under the lead of the Copernicus services unit of the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs and involving other services as appropriate, shall monitor and assess on a regular basis the implementation of the tasks delegated to EMSA. Such process is based, in particular, on the completion of the milestones as defined in the annual work programmes submitted by the entrusted entity (Article 7.2 and 19 of the DA).

The agreement ensures that the Commission, the European Anti-fraud Office (OLAF) and the Court of Auditors or their authorised representatives, may at any time during the implementation of the entrusted tasks and up to five years after the payment of the balance carry out checks and audits on the implementation of the entrusted tasks (Article 26 of the DA).

The Commission may also carry out interim or final evaluations of the impact of the implementation of the entrusted tasks evaluated against the objectives of the Copernicus programme. (Article 17 of the DA)

EMSA sets up and ensures the functioning of effective and efficient internal control systems which are aimed at providing reasonable assurance as to the achievement of the internal control objectives as defined in Article 36.2 of the Financial Regulation.

⁴⁹ Commission Implementing Decision of 19.11.2015 on a delegation agreement with the European Maritime Safety Agency in the framework of the Copernicus programme (C(2015)3006 final).

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The contracts tendered by the entrusted entity shall provide for the Union with ownership of the results produced/developed in the process of implementation of the Copernicus tasks. (Article 16.1 of the DA).

Supervision activities conducted on a regular annual basis

The operational and budgetary discharge supervision is mainly based on the evaluation and verification of the submitted by the entrusted entity Annual Implementation report (AIR), and the intermediate submitted on Semestrial implementation reports (SIR) (Articles 19 and 20 of the DA).

No irregularities or weaknesses in the performance by the Entrusted Entity of the delegated tasks have been spotted for the years 2015, 2016, 2017 and 2018.

In 2018 the DG GROW ex-post team performed an audit on the annual financial/implementation report for 2017 submitted by EMSA for Copernicus. The audit report is still in the contradictory process.

European Defence Agency (EDA)

The European Defence Agency performs tasks relating to the implementation of the Pilot Project on Common Security and Defence Policy (CSDP) research, including programme management tasks, and is accountable for them. Those tasks are entrusted to it by the Commission by means of a delegation agreement and include the call preparation, evaluation follow-up and administrative management of the project on behalf of the Union for three defence technology research projects.

The main supervising body is the Agency's Steering Board in which the Commission is represented without vote, alongside the Member States which have one vote each.

Supervision mechanism

A Delegation Agreement is in force between the Commission and the Agency. EDA provides a regular reporting on the Agency's relevant activities to the Commission.

Supervision activities performed in 2018

The Commission exercised the supervisory tasks provided for in the existing delegation agreement. Regular implementation reports and in particular documentation regarding the call for proposals submitted by the Agency were revised. The Commission also participated as observer at the evaluation of the proposals.

In 2016, EDA awarded grants for three defence technology projects which were completed in November 2017 and May 2018.

European Foundation for the Improvement of Living and Working Conditions (EUROFOUND)

In 2016, DG GROW continued to follow the implementation of the Delegation Agreement signed in May 2015 with EUROFOUND. It concerns the Pilot Project on the Future of Manufacturing (FOME). While having a key focus on manufacturing, the project has 5 main objectives/tasks:

1. the development of a manufacturing employment outlook (including scenario building and game changers, and analysis of wages, employment, productivity, etc.);
2. the establishment of a reshoring monitor;
3. an analysis of the internationalisation of SMEs and entrepreneurs ('born globals');
4. the development of regional industrial policy capacities (related to smart specialization) and
5. a comparative review and analysis of dual apprenticeship programmes.

Beyond its industrial policy context and focus on developing regional industrial policy capacity, the project will have a very clear employment dimension, addressing questions related to resource reallocation, job creation and reintegration into the labour market, restructuring trends, the gender dimension, skills/reskilling/upskilling, vocational training, entrepreneurship, and SME internationalisation and engagement in markets outside the EU.

In accordance with the delegation agreement, the implementation of the pilot project is subject to the monitoring of an Inter-Service Steering Group (ISSG) chaired by DG GROW and including representatives of other Commission Services and EU social partner organisations.

Supervision mechanism:

All the contracts awarded as a result of the implementation of the entrusted tasks will be in line with the public procurement rules as set in the Financial Regulation.

EUROFOUND shall carry out ex ante and ex post controls including, where appropriate, on-the spot checks on samples of transactions to ensure that underlying transactions are legal and regular and that actions financed from the Union budget are effectively carried out and implemented correctly. EUROFOUND will take account of risk and cost-efficiency considerations when designing its control approach.

EUROFOUND provides to the Commission an annual report on the implementation of the entrusted tasks and its accounts on the expenditure incurred in the implementation of the entrusted tasks.

The Commission, including the European Anti-fraud Office (OLAF), and the Court of Auditors may at any time during the implementation of the entrusted tasks and up to five years after the payment of the balance carry out checks and audits on the implementation of the entrusted tasks.

In addition, the Commission may carry out interim or final evaluations of the impact of the implementation of the entrusted tasks measured against the objectives concerned.

European Union Satellite Centre (SatCen)

The European Union Satellite Centre (EU SatCen, previously called EUSC) is an agency of the European Union (EU) since 1 January 2002.

SatCen's Director reports to a Governing Board chaired by the EU's High Representative for Foreign Affairs and Security Policy. The Board comprises one representative of each EU country and one Commission delegate.

On 6 October 2016, DG GROW signed the Copernicus SatCen Delegation Agreement. The agreement completes the operational architecture of the Copernicus Security Service and enables the deployment of its last component - the Support to EU External Action (SEA) service, with SatCen as Service operator.

The Copernicus Security Service will contribute to a number of crucial EU policies by improving crisis prevention, preparedness and response capacities, namely for enhanced border and maritime surveillance, and in support of the EU's external policies.

In implementing the service, SatCen will work in cooperation and build up synergies with the service operators for the two other components of the Copernicus Security Service, already put in place from the end of 2015. Frontex will act as service operator for border surveillance and the EMSA will implement the maritime surveillance component.

The indicative profile of commitments in the budget of the EU for the entrusted tasks to be carried out by SatCen over the operational implementation phase 2016 to 2021: EUR 28.3 million.

Supervision mechanism

The Delegation Agreement is in force between the Commission and the Agency as from 6 October 2016. SatCen provides a regular reporting on the Centre's relevant activities to the Commission.

In 2018 the DG GROW ex-post team performed an audit on the annual financial/implementation report for 2017 submitted by SatCen for Copernicus. The audit revealed no financial error that may impact the Commission's interests.

ANNEX 9: Evaluations and other studies finalised or cancelled in 2018

Title	Reason ¹	Scope ²	Type ³	Associated Directorates-General	Costs (EUR)	Comments ⁴	Reference ⁵
<i>I. Evaluations</i>							
<i>a. Evaluations finalised in 2018</i>							
Fifth report on the application of Directive 85/374/EEC on the liability for defective products and Evaluation of the Directive	L	Dir 85/374/EEC	R	SG, AGRI, JUST, CNET	249737,00		SWD(2018) 157 final SWD(2018) 158 final Study: Evaluation of Council Directive 85/374/EEC on the approximation of laws, regulations and administrative provisions of the Member States concerning liability for defective products
Evaluation of the Machinery Directive (2006/42/EC)	L	Dir 2006/42/EC	R	SG, EMPL, SANTE, MOVE, ENV, JUST, COMP, TRADE	149900		SWD(2018) 161 final Study: Evaluation study of Directive 2006/42/EC on Machinery
Evaluation of the Aerosol Dispenser Directive (75/324/EEC)	L	Dir 75/324/EEC	R	SG, JUST	199950		SWD(2018) 266 SWD(2018) 267 Study: Evaluation of the Aerosols Dispensers Directive 75/324/EC
Final Evaluation of Public Procurement of Innovation in the Context of the CIP	FR	CIP	E	SG, CNET, RTD, EASME	149500		https://data.europa.eu/doi/10.2873/815
Evaluation of the REACH Regulation	REFIT/L	Reg. (EC) 1907/2006	R	ENV (co-lead), SG, EMPL, TRADE, COMP, JTC, SANTE, RTD, JUST, BUDG, TAXUD	1565000	The evaluation of REACH Regulation includes also the evaluation of ECHA	SWD(2018)58 final Part 7/7 Several supporting studies: http://ec.europa.eu/DocsRoom/documents/26825

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II. Other studies finalised or cancelled in 2018

a. Other studies finalised in 2018

Study on the impact of taxes on the competitiveness of European tourism with EU tourism tax tool					163100		https://ec.europa.eu/growth/content/study-impact-taxes-competitiveness-european-tourism-eu-tourism-tax-tool_en
Study on Data in platform-to-business relations					87000		https://publications.europa.eu/en/publication-detail/-/publication/04c75b09-4b2b-11e7-aea8-01aa75ed71a1/language-en
Compliance assessment of Directive 2013/55/EU of the European Parliament and of the Council of 20 November 2013 amending Directive 2005/36/EC on the recognition of professional qualifications and Regulation (EU) No 1024/2012 on administrative cooperation through the Internal Market Information System ("the IMI Regulation") in all twenty-eight Member States of the EU	O	Directive 2005/36/EU	O	N/A	382700	Start contract 04.03.2016 for a duration of 22 months (extended) until 03.01.2018. Final deliverables approved on 20.07.2018.	Not published
Study on the main developments in the postal sector (2013-2016)		IMA		N/A	300000		https://publications.europa.eu/en/publication-detail/-/publication/d22799b5-bbb7-11e8-99ee-01aa75ed71a1/language-en https://publications.europa.eu/en/publication-detail/-/publication/2cc0a03d-bbbb-11e8-99ee-01aa75ed71a1/language-en
Blockchains and distributed manufacturing		COSME		N/A	250000		https://publications.europa.eu/en/publication-detail/-/publication/a230c2aa-

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(#Blockchain4EU)							6220-11e8-ab9c-01aa75ed71a1/language-en/format-PDF/source-77167451
Intellectual Property pre-diagnostic - feasibility study		COSME		N/A			https://publications.europa.eu/en/publication-detail/-/publication/78eb5bdc-d1bb-11e8-9424-01aa75ed71a1/language-en/format-PDF
Study on the competitiveness of the European sector in the domain of access to space		SPACE		Interservice Steering Group (ISSG) following the Commission's Space Strategy initiative	248976		https://publications.europa.eu/en/publication-detail/-/publication/11692f91-0d54-11e8-966a-01aa75ed71a1/language-en/format-PDF/source-88006010
Study on "The Dependence of Global and European Economies on space Infrastructures - Potential Impacts of Space Assets Loss"		SPACE		N/A	148872		https://publications.europa.eu/en/publication-detail/-/publication/e5450aac-0d4d-11e8-966a-01aa75ed71a1/language-en/format-PDF/source-88006151
Cost-effectiveness analysis of policy options for the mandatory implementation of different sets of vehicle safety measures		IMA		N/A	84990,56		https://publications.europa.eu/en/publication-detail/-/publication/ed4aff17-49c5-11e8-be1d-01aa75ed71a1/language-en/format-PDF/source-77164784
Copernicus services support to Cultural Heritage - criteria for the compilation of a dedicated products portfolio		02-045001.7-RO		DG GROW(DIR 1, J, 02, 01, 03) DG RTD, DG HOME, DG ENER, DG MOVE, DG BUDG, REA and GSA	300000		Not published
Adaptation to technical progress of EU requirements on silencing systems containing acoustically absorbing fibrous materials for vehicles of categories M1, M2, M3, N1, N2 and N3		IMA		DG ENV	69998		https://publications.europa.eu/en/publication-detail/-/publication/e65d52b7-f6b1-11e8-9982-01aa75ed71a1/language-en/format-PDF/source-81814094
Study to identify performance indicators for remedies in public procurement		IMA			150000		https://ec.europa.eu/growth/single-market/public-procurement/rules-implementation/remedies-directives_en
SME Performance Review		COSME			1000000		https://ec.europa.eu/growth/spr

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(SPR 2017) – Annual Report and country fact sheets							
SME Performance Review (SPR) – Eurobarometer "SMEs, resource efficiency and green markets"		COSME		GROW F2 and DG COMM	680,000		https://publications.europa.eu/en/publication-detail/-/publication/3e0eeef-0259-11e8-b8f5-01aa75ed71a1/language-en/format-PDF/source-88967044
Composition and drivers of energy prices and costs in energy intensive industries - Case studies of selected energy intensive industries		COSME		ENER	236 100		https://publications.europa.eu/en/publication-detail/-/publication/0f9c440f-ec78-11e8-b690-01aa75ed71a1
b. Other studies cancelled in 2018							
Crash test dummy harmonisation		IMA		N/A	250000	merge in another initiative	
Crash test pulses and deceleration curves with a view to simulate testing on test benches		IMA		N/A	250000	merge in another initiative	
Hydrogen-powered vehicles		IMA		N/A	40000	It's a technical support, no study - budget will finally be added to an AA with JRC (SI2.774403)	
Analysis of Member States organisation of Enforcement for REACH and CLP		IMA		GROW B1 DG ENV, DG TAXUD	130000	study cancelled and budget used for new Feasibility study of D1 in 2018	
Studies to address the issues identified in the REACH REFIT evaluation		IMA		GROW D2 ENV B2, SG, DG TAXUD, DG EMPL, DG SANTE, DG TRADE, DG COMP, DG BUDG, DG JUST	110000	new Feasibility study of D1 in 2018	

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Study to follow up the fitness check on chemicals other than REACH - appropriateness of mixture classification rules		IMA		DG ENV, DG JUST, DG SANTE, SG	200000	Budget used for new Study on Units of Measurement of D3 in 2018.	
Incentives for diversification of feedstock and for secondary markets in the field		COSME		GROW C1 and DG ENV B1	500000		
Evaluation of national measures for the protection of consumers and players of online gambling services and for the prevention of minors from gambling online		IMA		JUST, SANTE, CNECT	150000	The decision to cancel the study followed the Commission's decision to deprioritise the gambling file, following which it was not deemed to be prudent to use further financial resources to launch another a gambling-related study.	
Study on the state of play of the national trainings concerning the veterinary surgeons /analysing the need of modernising the harmonised minimum requirements		IMA		SANTE; AGRI; ENV	130000	Cancelled due to the lack of funds (as it was on the reserve list) this study was not implemented.	
Study supporting the Impact assessment for a initiative revising Regulation 386/2012 on the Observatory on Infringements of IPRs		IMA			15000	we do not intend to revise Regulation 386/2012 at this stage, and we have a study as well as a (pending) public consultation on the evaluation of the European Patent Office (owned by EPO, not GROW) which will provide us with useful material already on the functioning of the Observatory	

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Patent litigation and Insurance: in the EU. Is the unitary patent an opportunity		IMA			150000	Other priorities	
Study on restrictive effects of non-compete clauses affecting highly-skilled employees within the internal market		IMA			150000	Other priorities	
Study on the costs induced by the implementation of risk management tools and anti-counterfeiting track and trace technologies for businesses, in particular SMEs		IMA		JRC	150000	Other priorities	
Study on the economic effects on the internal market of the exclusion of concessions in the field of water		IMA		ECFIN/L2 BUDG/D2	300000		
Study on licensing terms of Standard Essential Patents				GROW (F3; B3; 01.) COMP, Trade, RTD, CONNECT, JRC	100000	A similar project was launched by a consultant	
Study on the proposal on the adaptation to technical progress of the Aerosol Dispensers Directive with regards to the plastic aerosol dispenser		IMA			50000	Further clarification is needed on the coherence of the proposal with the plastics policy.	
¹ Reason why the evaluation/other study was carried out, please align with Annex 3 of the MP 2016. The individual symbols used have the following meaning: L - legal act, LMFF - legal base of MFF instrument, FR - financial regulation, REFIT, REFIT/L, CWP - 'evaluate first', O - other (please specify in Comments)							
² specify what programme/regulatory measure/initiative/policy area etc. has been covered							
³ FC - fitness check, E - expenditure programme/measure, R - regulatory measure (not recognised as a FC), C - communication activity, I - internal Commission activity, O - other - please specify in the Comments							
⁴ Allows to provide any comments related to the item (in particular changes compared to the planning). When relevant, the reasons for cancelling evaluations/ other studies also needs to be explained in this column.							
⁵ For evaluations the references should be 1) number of its Evaluation Staff Working Document and number of the SWD's executive summary; 2) link to the supportive study of the SWD in EU bookshop. For other studies the references should be the link to EU bookshop or other reference where the 'other study' is published via different point.							

ANNEX 10: Annex related to the crossed sub-delegations

1. Cross-subdelegation granted by DG GROW

2018 - Activities covered by crossed sub-delegations granted by DG GROW Authorising Officer by delegation to other Directors General		
DG	Article/Item	Activity
DG DIGIT	02.010201.00.02.20%	Technical Assistance
Eurostat, the statistical office of the European Union (ESTAT)	02.060100%	Delivering operational services relying on space-borne observations and in-situ data (Copernicus)
DG BUDGET	02.010201.00.02.20%	Technical Assistance
Joint Research Centre (JRC)	02.0601% 02.020100%	Delivering operational services relying on space-borne observations and in-situ data (Copernicus) Promoting entrepreneurship and improving the competitiveness and access to markets of Union enterprises
DG for Neighbourhood and Enlargement Negotiations (DG NEAR)	02.027710	Preparatory action — Euromed innovation entrepreneurs for change
DG RTD	02.04020201%	Leadership in Space
CNECT	02.030100%	Operation and development of the internal market of goods and services
REGIO	02.020100%	Promoting entrepreneurship and improving the competitiveness and access to markets of Union enterprises

2. Cost of control

Table Y Overview of the estimated cost of controls at Commission (EC) level:

RCS 1 : Budget entrusted to other entities							
Ex ante controls			Ex post controls			Total	
EC total costs (in EUR)	funds managed (in EUR)*	Ratio (%)*: <i>Total ex ante control cost in EUR ÷ funds managed in EUR</i>	EC total costs (in EUR)	total value verified and/or audited (in EUR)	Ratio (%): <i>Total ex post control cost in EUR ÷ total value verified and/or audited in EUR</i>	EC total estimated cost of controls (in EUR)	Ratio (%): <i>Total cost of controls ÷ funds managed</i>
31 723 789	1 474 785 212	2.15%	349 603	1 566 596 448	0.02%	32 073 392	2.17%
RCS 2 : Financial instruments							
Ex ante controls			Ex post controls			Total	
EC total cost (in EUR)	funds managed (in EUR)*	Ratio (%)*: <i>Total ex ante control cost in EUR ÷ funds managed in EUR</i>	EC total costs (in EUR)	total value verified and/or audited (in EUR)	Ratio (%): <i>Total ex post control cost in EUR ÷ total value verified and/or audited in EUR</i>	EC total estimated cost of controls (in EUR)	Ratio (%)*: <i>Total cost of controls ÷ funds managed</i>
5 210 953	241 384 916	2.16%				5 210 953	2.16%
RCS 3 : Assets*							

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Ex ante controls			Ex post controls			Total	
EC total cost (in EUR)	funds managed (in EUR)*	Ratio (%)*: <i>Total ex ante control cost in EUR ÷ funds managed in EUR</i>	EC total costs (in EUR)	total value verified and/or audited (in EUR)	Ratio (%): <i>Total ex post control cost in EUR ÷ total value verified and/or audited in EUR</i>	EC total estimated cost of controls (in EUR)	Ratio (%)*: <i>Total cost of controls ÷ funds managed</i>
N/A							
RCS 4 : Procurement							
Ex ante controls			Ex post controls			Total	
EC total cost (in EUR)	funds managed (in EUR)*	Ratio (%)*: <i>Total ex ante control cost in EUR ÷ funds managed in EUR</i>	EC total costs (in EUR)	total value verified and/or audited (in EUR)	Ratio (%): <i>Total ex post control cost in EUR ÷ total value verified and/or audited in EUR</i>	EC total estimated cost of controls (in EUR)	Ratio (%)*: <i>Total cost of controls ÷ funds managed</i>
6 583 444	76 680 610	8.59%				6 583 444	8.59%
RCS 5 : Grants							
Ex ante controls			Ex post controls			Total	
EC total cost (in EUR)	funds managed (in EUR)*	Ratio (%)*: <i>Total ex ante control cost in EUR ÷ funds managed in EUR</i>	EC total costs (in EUR)	total value verified and/or audited (in EUR)	Ratio (%): <i>Total ex post control cost in EUR ÷ total value verified and/or audited</i>	EC total estimated cost of controls (in EUR)	Ratio (%)*: <i>Total cost of controls ÷ funds managed</i>

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3 658 704	31 750 182	11.52%	95 346	2 065 732	<i>in EUR</i> 4.62%	3 754 050	11.82%
DG GROW							
Ex ante controls			Ex post controls			Total	
EC total cost (in EUR)	funds managed (in EUR)*	Ratio (%)*: <i>Total ex ante control cost in EUR ÷ funds managed in EUR</i>	EC total costs (in EUR)	total value verified and/or audited (in EUR)	Ratio (%): <i>Total ex post control cost in EUR ÷ total value verified and/or audited in EUR</i>	EC total estimated cost of controls (in EUR)	Ratio (%)*: <i>Total cost of controls ÷ funds managed</i>
47 176 890	1 824 600 920	2.59%	444 949	1 568 662 180	0.03%	47 621 839	2.61%

*: control of assets included in controls of other entities

ANNEX 11: Specific annexes related to "Assessment of the effectiveness of the internal control systems"

Annex 11 not used by DG GROW (to be provided only if needed)

ANNEX 12: Performance tables

General objective 1: A New Boost for Jobs, Growth and Investment		
Impact indicator 1: Employment rate population aged 20-64		
Source of the data: Eurostat		
Baseline 2014	Interim Milestone	Target (Europe 2020 Strategy)
69.2%	./.	at least 75%
Latest known value (2017) : 72.2% This percentage is up from 71.1% in 2016, the employment rate increased by 1 percentage point.		
Impact indicator 2: Percentage of EU GDP invested in R&D (combined public and private investment)		
Source of the data: Eurostat		
Baseline 2012	Interim Milestone	Target (Europe 2020 Strategy)
2.01%	./.	3.0%
Latest known value (2017): 2.07% This percentage is up from 2.03% in 2016.		
Specific objective 1.1: To support SME creation and growth		Related to spending programme COSME
Indicator 1: Financing mobilised and number of firms benefiting from debt financing		
Source of data:		
COSME Loan Guarantee Facility (LGF): European Investment Fund quarterly operational report. A quarterly summary update of the main implementation data is available on http://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/cosme-loan-facility-growth/implementation_status.pdf		
Quality of data: Good		
The data are reported back from the intermediary organisations to the European Investment Fund.		
Note: This indicator figures also in the Programme Statement for the Draft Budget		
Baseline 2013	Interim Milestone 2017	Target 2020 (target from the COSME legal base)
As of 31 December 2013, € 16.1 billion in financing mobilised, reaching 312,000 SMEs (SME Guarantee Facility under the former CIP programme 2007-2013)	Financing mobilised from guarantees ranging from € 7 billion to € 10.5 billion; number of firms reached ranging from 108,000 to 161,000 under the current COSME programme	Financing mobilised from guarantees ranging from € 14.3 billion to € 21.5 billion; number of firms reached ranging from 220,000 to 330,000 under the current COSME programme
Latest known results at 30/09/2018:		
In the course of 2018 (data as of 30/09/2018) additional 106.000 SMEs received € 7.5 billion. On an accumulated basis, a total of 381,000 SME received € 20.3 billion of financing since the launch of the programme. Thanks to a reinforcement of COSME Loan Guarantee Facility resources from the SME window of EFSI (top-up of € 550 million) it was possible to achieve the targets set for the overall programming period (2013 – 2020) already in the course of 2018.		
Result indicator 2: Exchanges between new and experienced entrepreneurs and resulting creation of companies		
Source of data: Erasmus for Young Entrepreneurs statistics, the mid-term evaluation of COSME realised in 2017		
Quality of data: Good		
The basic data come from a survey among EYE participants. The resulting data are thus based on estimates. Even though it is not possible to make a claim of 'causality' between EYE and the results, evidence suggests that they are		

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strongly linked / attributed to the programme. Note: This indicator is not in the legal base of COSME, but figures in the text part of the Programme Statement for the Draft Budget.		
Baseline 2015	Interim Milestone 2017	Target 2020 (target set at Directorate-General level)
3,600 exchanges over the last 5 years created around 1,300 jobs	5,500 exchanges by 2017, resulting in the creation of around 1,600 jobs	10,000 exchanges by 2020, resulting in the creation of around 3,000 jobs
Latest known result at 31/12/2018: 2014-2018: 7,000 exchanges, 2014-2016: 2,100 jobs created		
<p>Result indicator 3: SME receiving business and innovation support services to increase their competitiveness in the Single Market and beyond via the Enterprise Europe Network (EEN) Source of data: EASME: Enterprise Europe Network Progress Report and intermediary reports Quality of data: Good The data comes from the Network members which have to follow monitoring and reporting guidelines. A dedicated unit in EASME monitors the data collection by the members. The revised calculation method follows the Network request to reduce the administrative burden, and asks the Network to report on high-value-added services only. Network partners keep on providing information services to large numbers of SME clients, but no longer need to record them. Note: This indicator figures also in the Programme Statement for the Draft Budget</p>		
Baseline 2011	Interim Milestone 2017	Target 2020
435,00 SMEs receiving support services (original calculation method)	number of SME receiving support services from the EEN: 475,000 per year (original calculation method)	number of SME receiving support services from the EEN: 500,000 per year(original calculation method) 275,000 per year (revised calculation method)
Latest known result 31/12/2017: 226,908 SMEs receiving support services Numbers for 2018 are not available yet because the final reports are still to be received and processed. However it is expected that about 25,000 SMEs received support in 2018.The result is lower than the original target value because of a new method for calculating this indicator and not because of lower service level from the network..		
<p>Result indicator 4: Patent applications in the different enabling and industrial technologies for Space Projects Sources of data: Internal monitoring of the Cooperation projects under the Space research objective of Horizon 2020, plus additional information from project partners on patent applications Quality of data: Limited While the budget allocated can be traced from the project database, the information from project partners on patent applications may not cover all applications, as patents could be applied after the end of the EU-funded project. Note: This indicator figures also in the Programme Statement for the Draft Budget</p>		
Baseline	Interim Milestone 2015	Target 2020 (target from the H2020 legal base)
This indicator is a new approach, therefore no baseline	40% of the budget is allocated to activities potentially generating patents	3 patent applications per EUR 10 million funding
Latest known result at 31/12/2018: 15 patent applications from space research projects were introduced, which equals 0.2 patents per € 10 million spent. As there is a time lag between the end of a project and the application for a patent, the 2020 target of 3 applications per € 10 million spent may still be achieved.		
<p>Specific objective 1.3: To achieve full capacity for Galileo and Copernicus Related to spending programmes</p>		

Indicator 1: Galileo infrastructure: Cumulative number of operational satellites

Source of data: European Global Navigation Satellites Systems Agency (GNSS Agency); European GNSS Service Centre <https://www.gsc-europa.eu/system-status/Constellation-Information>

Quality of data: **Good**

The GNSS Service Centre provides online information status information on declarations of new Galileo services based on the signals received from the satellites by the Galileo ground stations.

Note: This indicator figures also in the Programme Statement for the Draft Budget

Baseline 2013	Interim Milestone 2015	Target 2020 (target from the Galileo legal base)
4	12	30

Latest known result at 31/12/2018:

Galileo: The fully deployed Galileo system will consist of 24 operational satellites plus six in-orbit spares. At the end of 2018, there are 26 Galileo satellites in orbit and all of them are providing services. 22 of them are fully operational for all services.

Result indicator 2: Galileo services provision: Number of services implemented

Source of data: European Global Navigation Satellites Systems Agency (GNSS Agency); European GNSS Service Centre <https://www.gsc-europa.eu/notice-advisory-to-galileo-users-nagu-2016063>

Further declarations will be issued here:

<https://www.gsc-europa.eu/system-status/Constellation-Information>

Quality of data: **Good**

The GNSS Service Centre provides online information status information on declarations of new Galileo services based on the signals received from the satellites by the Galileo ground stations.

Note: This indicator figures also in the Programme Statement for the Draft Budget

Baseline 2014	Interim Milestone 2016	Target 2020
0	4	Full operational capability of all Galileo services

Latest known result at 31/12/2018:

Galileo initial services were declared operational on 15 December 2016. These include the Galileo Initial Open Service, the Galileo Initial Public Regulated Service, the Galileo Initial Search and Rescue Service. Further service enhancements and new functionalities will be announced in 2019.

Result indicator 3: Cumulative number of operational satellites under Copernicus and deployment per year of specific service components

Source of data: European Space Agency (ESA) and EUMETSAT as well as services by EEA, ECMWF, Mercator Ocean, Joint Research Centre, Frontex, EMSA and SatCen

<http://www.copernicus.eu/main/satellites>

Quality of data: **Good**

Data on the operation of the satellites and the services are provided by ESA and EUMETSAT.

The ESA is responsible for the development of the space segment component of the Copernicus programme and operates the Sentinel-1 and Sentinel-2 satellites, and Sentinel-5P. EUMETSAT is responsible for operating the Sentinel-3 satellites and delivering the marine mission and will also operate and deliver products from the Sentinel-4, and -5 instruments, and the Sentinel-6 satellites.

Note: This indicator figures also in the Programme Statement for the Draft Budget

Baseline 2014	Interim Milestone 2015	Target 2020 (target from the Copernicus legal base)
1	2	8
	Services already operational in 2015 are Emergency Mapping, Early Warning System of Floods, Pan-EU land service, EU local Land service, Global land service, and	Services on Global Hot spots, Border Surveillance, Maritime Surveillance, External Action Service, Early Warning System Forest fires will be added = 5

	provision of access to reference data access = 6 components responding to Copernicus Regulation Art 5(1e) and Art 5(1c).	components operational (2016). Marine Environment, and Atmosphere service to be fully operational (2017). Climate change service to be operational (2019).
Latest known result at 31/12/2018		
Following the successful launch of 1 further satellites in 2018, 7 Copernicus Sentinels deliver data to more than 200 000 registered users, while the six services are all operational (including Climate Change that was planned for 2019). More than 12 million data products are published and the users download has reached a volume of more than 112 petabytes.		

Priority 2 - A Connected Digital Single Market

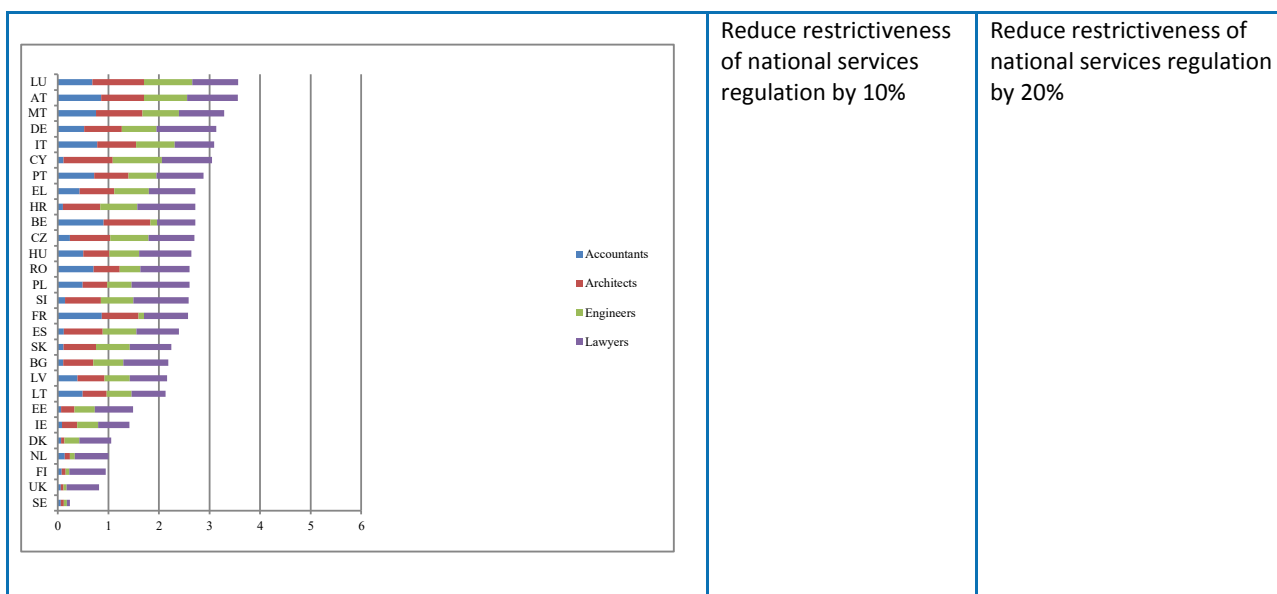
General objective 2: A Connected Digital Single Market		
Impact indicator: Aggregate score in Digital Economy and Society Index (DESI) EU-28		
Explanation: DESI is a composite index that summarises relevant indicators on Europe's digital performance and tracks the evolution of EU Member States in digital competitiveness. The closer the value is to 1, the better. The DESI index is calculated as the weighted average of the five main DESI dimensions: 1 Connectivity (25%), 2 Human Capital (25%), 3 Use of Internet (15%), 4 Integration of Digital Technology (20%) and 5 Digital Public Services (15%). The DESI index is updated once a year.		
Source of the data: DESI		
Baseline DESI 2015	Interim Milestone	Target 2020
0.5	./.	Increase
Latest known value: DESI 2016: 0.52		
Specific objective 2.1 : To increase the total international parcel flow		
Result indicator: Share of outbound parcels in the total CEP (courier, express and parcel) market to EU and non EU destinations		
Source of data: Data collected from national postal operators		
Quality of data: Limited		
A combined figure for inbound and outbound cannot be used as it would overstate the proportion of cross-border parcels due to double counting (e.g. a BE to FR parcel would count twice as outbound in BE and inbound in FR). Using outbound rather than inbound excludes distortions from inbound Asian e-commerce and the focus of the indicator should be the EU. Even though outbound does include parcels being sent to non-EU destinations, to the extent that these parcels are being sent by EU retailers, growth is still positive. The quality of the indicator is limited as Member States do not always report the data in time. The 2017 data is based on 27 countries (SE excepted)The number of countries for which data is available has improved compared to 2016.		
Baseline 2014	Interim Milestone 2017	Target 2020
8.5% ⁵⁰	Annual increase	Annual increase
Latest known result (2017 data): 12,9%, up compared to 2016		

⁵⁰ The original baseline of 7.6 % was changed to 8.5% as better data with a wider coverage became available.

Priority 4: A Deeper and Fairer Internal Market with a Strengthened Industrial Base

General objective 4: A Deeper and Fairer Internal Market with a Strengthened Industrial Base		
Impact indicator 1: Gross value added of EU industry in GDP		
Source of the data: Calculation based on EUROSTAT data		
Baseline 2014	Interim Milestone	Target 2020 (the target is confirmed in the Mission Letter to Commissioner Bieńkowska)
17.1%	Annual increase	20%
Latest known value (2016): 17.4%		
Impact indicator 2: Intra-EU trade in goods (% of GDP)		
Source of the data: Eurostat		
Baseline 2014	Interim Milestone	Target 2020
20.4%	./.	Increase
Latest known value (2015): 20.3%		
Impact indicator 3: Intra-EU trade in services (% of GDP)		
Source of the data: Eurostat		
Baseline 2014	Interim Milestone	Target 2020
6.3%	./.	Increase
Latest known value (2015): 6.6%		
Specific objective 4.1: To reduce regulatory restrictions in services and goods		
Result indicator: Degree of regulatory restrictiveness in business services		
Source of data: GROW Business services – Assessment of Barriers and their Economic Impact http://ec.europa.eu/growth/single-market/services/economic-analysis/index_en.htm		
Quality of Data: Limited		
The assessment only focusses on four key business services sectors: accountants, architects, engineers and lawyers. The assessment of restrictiveness is based on the analysis of the following seven regulatory barriers: reserved activities, authorisation requirements, compulsory chamber membership requirements, restrictions on corporate form, shareholding structures & multidisciplinary activities, insurance requirements, tariff restrictions, and restrictions on advertising. The assessment also includes the analysis of non-regulatory barriers, namely the provision of information on legal requirements and the completion of procedures online through the Points of Single Contact (one common assessment covering the four business services sectors assessed). The figure below shows the overall results of the assessment on restrictiveness, taking into account the results of the 8 barriers assessed cumulatively. High (low) scores indicate higher (lower) restrictiveness.		
Baseline 2014	Interim Milestone 2017	Target 2020 (linked to the Single Market Strategy)

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Reduce restrictiveness of national services regulation by 10%

Reduce restrictiveness of national services regulation by 20%

Latest known result (2015):

No update has been done since the 2015 study on the "Assessment of Barriers and their Economic Impact". Therefore, the latest known value is the 2014 baseline. GROW is currently working on a revised methodology.

Specific objective 4.2: To create a culture of compliance and smart enforcement

Result indicator 1: Duration of infringement procedures in the Internal Market areas under GROW's responsibility

Source of data: Internal Market Scoreboard

http://ec.europa.eu/internal_market/scoreboard/performance_by_governance_tool/infringements/index_en.htm

Quality of data: **Good**

The duration refers to pending infringement cases not yet sent to the Court (pre-litigation stage) as of 1 December of a given year. The average duration is calculated in months from the sending of the letter of formal notice.

Baseline 2014	Interim Milestone 2016	Target 2017 (defined in the Governance Communication, COM(2012)259)
24.4 months on average	21 months on average by end 2016	18 months on average by end 2017

Latest known result at 01/12/2018:

15.5 months (down from 26.5 months in December 2017)

GROW has achieved the 2017 target of 18 months. Nevertheless, the very considerable decrease in the average duration of infringement procedures in 2018 is mainly due to the high number of new procedures initiated (104 for the period 1.12.2017-1.12.2018 compared to 35 for the period 1.12.2016-1.12.2017).

The delays in handling infringement cases can be attributed to both the Member States and the Commission (translations needed, delayed answers from the Member States, delayed requests for formal steps by the Commission services, etc.). The Commission Communication of December 2016 "EU Law: Better Results through Better Application" aimed to address the long delays. It underlined the need for the Commission and the Member States to reinforce their co-operation in the application of the EU law. In particular, good co-operation will help to reduce the time needed to handle infringement proceedings.

Result indicator 2: Number of consultations/information of Directive 2015/1535 and Technical Barriers to Trade (TBT) notifications databases measuring the awareness among stakeholders

Source of data: TRIS and TBT databases

Quality of data: **Good**

- TRIS: Member States notify their legislative projects regarding technical regulations for products and information society

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services to the Commission and to the other Member States, which assess these projects in the light of EU legislation.
 - TBT: This database provides a notification system (i) requiring Member States and the Commission to notify EU draft technical regulations for goods under their responsibility; and (ii) allowing the EU to become acquainted with proposed national technical regulations for goods from WTO-TBT members and check these to ensure that they are compatible with WTO-TBT rules.

Baseline 2013	Interim Milestone 2016	Target 2020 (target set at Directorate-General level)
605.000	Yearly increase of at least 10%, leading to ca. 1 060 000	1 400 000

Latest known result (at 31/12/2018):
 1 033 094 views of TRIS and TBT databases in 2018.

General objective 5: A Stronger Global Actor⁵¹
Specific objective 4.3: To achieve closer co-operation in European defence

Result indicator: Percentage of collaborative defence equipment procurement expenditure
Explanation: The percentage is measured as a share of the total defence equipment procurement by the Member States
Source of data: European Defence Agency
<http://www.eda.europa.eu/info-hub/publications/publication-details/pub/defence-data-2014>
Quality of data: Limited
 All 2012-2014 figures are partial as several Member States could not provide the data.

Baseline 2010	Interim Milestones		Target 2027 (after the first phase of the future EU research programme + 15 full years after transposition of the Defence Procurement Directive)
	2016	2018	
22.4%	22.5%	23%	Gradual increase leading to over 25%

Latest known result (2015):
 In 2015, only 16% of defence equipment was procured through European collaborative procurement, far away from the collective benchmark of 35% agreed in the framework of the European Defence Agency.

⁵¹ The impact indicators available for this general objective are not relevant for the defence-related policies of DG GROW. As the enhanced co-operation among Member States is at the core of the European Defence Action Plan, progress will be measured by the result indicator on collaborative defence equipment procurement.