



Annual Activity Report 2021

Annexes

Directorate-General Internal Market, Industry,
Entrepreneurship and SMEs

(DG GROW)

Table of Contents

ANNEX 1:	Statement of the Director in charge of Risk Management and Internal Control.....	3
ANNEX 2:	Performance tables.....	4
ANNEX 3:	Draft annual accounts and financial reports.....	12
ANNEX 4:	Financial Scorecard.....	24
ANNEX 5:	Materiality criteria.....	27
ANNEX 6:	Relevant Control Systems for budget implementation (RCSs).....	29
ANNEX 7:	Specific annexes related to "Financial Management".....	64
ANNEX 8:	Specific annexes related to "Assessment of the effectiveness of the internal control systems"	67
ANNEX 9:	Specific annexes related to "Control results" and "Assurance: Reservations"	68
ANNEX 10:	Reporting – Human resources, digital transformation and information management and sound environmental management.....	69
ANNEX 11:	Implementation through national or international public-sector bodies and bodies governed by private law with a public sector mission (if applicable).....	75
ANNEX 12:	EAMR of the Union Delegations (if applicable).....	76
ANNEX 13:	Decentralised agencies	77

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 ⁽¹⁾, I have reported my advice and recommendations on the overall state of internal control in the DG to the Director-General.

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, 31 March 2022

e-Signed

Carlo Pettinelli

Director in charge of Risk Management and Internal Control (RMIC) at DG GROW / DG for Internal Market, Industry, Entrepreneurship and SMEs

¹ C(2017)2373 of 19.04.2017.

ANNEX 2: Performance tables

Objectives and indicators

Note that the impact indicators are not influenced alone by actions of the Commission, but by larger developments like economic growth or societal attitudes. The result indicators, on the other hand measure progress towards the specific objectives, which are more specific to the policy area of DG GROW

General objective 1: A Europe fit for the digital age			
Impact indicator 1: Aggregate score in the Digital Economy and Society Index (DESI)			
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. Higher values indicate a better performance			
Source of the data: DESI			
Methodology for calculating the indicator: 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%)			
Baseline (2019)	Interim milestone (2022)	Target (2024)	Latest known result (2021)
43.1	Increase	Increase	50.7
Specific objective 1.1: European enterprises make the digital and green transition			Related to spending programme(s): No
Result indicator 1: Percentage of enterprises in the EU using Big Data			
Explanation: In recent years, the quantity of digital data created, stored and processed in the world has grown exponentially. Digital imprints generated by governments and public institutions, businesses, associations and individuals, given their volume, variety and velocity, are referred to as 'big data'.			
Source of data: Eurostat - Data Explorer (isoc eb bd) :			
Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known result 2020
12.3%	Increase	Increase	14.2%
Result indicator 2: Share of the environmental economy in the overall GDP in the EU			
Explanation: It measures the progress towards the green transition of the European economy			
Source of data: Eurostat env_ac_egss2			
Baseline (2017)	Interim milestone (2022)	Target (2024)	Latest known result (2018)
2.22%	Increase	Increase	2.23%
Specific objective 1.1 Indicator on simplification and burden reduction			

Result indicator: Proportion of proposed legislative revisions that include burden reduction measures

Explanation: The indicator measures how the Commission upholds its commitment to ensure that proposals for legislative revisions incorporate burden reduction measures, in the broader context of REFIT programme and One-In, One-Out approach. The indicator shows how many proposed legislative revisions out of the total, for each relevant specific objective, include measures that concretely reduce burden.

Source of data: DG GROW internal monitoring

Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known result (planned for 2021)
0 out of 0	Positive trend	Positive trend	1 out of 1

Specific objective 1.2: More European SMEs have access to cross-border business

Related to spending programme(s): Yes

Result indicator: % of SMEs selling cross-border online

Explanation: This indicator combines the use of digital technology and the access to international markets by SMEs. It measures progress for SMEs on two central policies: internationalisation and digitalization.

Source of data: Eurostat - Data Explorer, *isoc_ec_eseln2*.

Baseline (2019)	Interim milestone (2022)	Target (2024)	Latest known result 2021
8.38%	Increase	Increase	9%

Specific objective 1.2: Indicator on simplification and burden reduction

Result indicator: Proportion of proposed legislative revisions that include burden reduction measures

Explanation: The indicator measures how the Commission upholds its commitment to ensure that proposals for legislative revisions incorporate burden reduction measures, in the broader context of REFIT programme and One-In, One-Out approach. The indicator shows how many proposed legislative revisions out of the total, for each relevant specific objective, include measures that concretely reduce burden.

Source of data: DG GROW internal monitoring DG GROW internal monitoring

Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known result (planned for 2021)
0 out of 0	Positive trend	Positive trend	0 out of 0

Specific objective 1.3: More business opportunities are generated by trading in the Single Market

Related to spending programme(s): No

Result indicator 1: Intra-EU trade in goods

Explanation: This indicator measures the intra-EU trade in goods as a percentage of gross domestic product (GDP). The indicator excludes transport and financial services.

Source of data: [Eurostat, Balance of payments \(Eurostat online data code: bop_gdp6_q\)](#)

Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known result (2019)
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20%	Increase	Increase	21.3 %
Result indicator 2: Intra-EU trade in services			
Explanation: This indicator measures the intra-EU trade in services as a percentage of grossdomestic product (GDP).			
Source of data: Eurostat, Balance of payments (Eurostat online data code: bop_gdp6_q)			
Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known result (2019)
7.4%	Increase	Increase	7.9%
Specific objective 1.3: Indicator on simplification and burden reduction			
Result indicator: Proportion of proposed legislative revisions that include burden reduction measures			
Explanation: The indicator measures how the Commission upholds its commitment to ensure that proposals for legislative revisions incorporate burden reduction measures, in the broader context of REFIT programme and One-In, One-Out approach. The indicator shows how many proposed legislative revisions out of the total, for each relevant specific objective, include measures that concretely reduce burden.			
Source of data: DG GROW			
Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known result (planned for 2021)
0 out of 0	Positive trend	Positive trend	0 out of 0
Specific objective 1.4: Promote compliance with EU SingleMarket rules and enforce them			Related to spending programme(s): No
Result indicator: Average duration of infringement procedures under GROW responsibility			
Explanation: The average duration refers to pending infringement cases not yet sent to the Court(pre-litigation stage) as of 1 December of a given year. It is calculated in months as from the sending of the letter of formal notice. UK cases are no longer taken into account in the calculation.			
Source of data: DG GROW + THEMIS/Infringements database			
Baseline 1/12/2019	Interim milestone 1/12/2022	Target 1/12/2024	Latest known result 1/12/2021
18.2 months	Maximum 24 months*	Maximum 18 months	36.6 months
The milestone is longer than the baseline as it takes into account the impact of the COVID-19 crisis on the handling of infringements and the transfer of a number of non-communication cases with short duration from DG GROW to DG DEFIS and DG HOME in 2020.			
Specific objective 1.4: Indicator on simplification and burden reduction			

Result indicator: Proportion of proposed legislative revisions that include burden reduction measures

Explanation: The indicator measures how the Commission upholds its commitment to ensure that proposals for legislative revisions incorporate burden reduction measures, in the broader context of REFIT programme and One-In, One-Out approach. The indicator shows how many proposed legislative revisions out of the total, for each relevant specific objective, include measures that concretely reduce burden.

Source of data: DG GROW

Baseline (202m)	Interim milestone (2022)	Target (2024)	Latest known result (planned for 2021)
0 out of 0	Positive trend	Positive trend	0 out of 0

General objective 2: A European Green Deal

Impact indicator 1: Size of the green economy

Explanation: The environmental goods and services sector comprises parts of the economy that generate environmental products, i.e. those produced for environmental protection or resource management. Gross value-added represents the contribution made by the production of environmental goods and services to the gross domestic product in million euros. Employment is measured by the full-time equivalent employment engaged in the production of output of environmental goods and services as defined above

Source of data: Eurostat (Eurostat online data code: [env_ac_egss3](#))

Baseline (2017)	Interim milestone (2022)	Target (2025)	Latest known result (2018)
Gross value-added: EUR 293921 million	Increase	Increase	EUR 306799 million
Full-time equivalent employment: 4251000	Increase	Increase	4363000

Specific objective 1: Increase the share of material recovered, recycled and fed back into the economy

Related to spending programme(s): No

Result indicator: Share of circular materials

Explanation: The indicator measures the share of material recovered and fed back into the economy - thus saving extraction of primary raw materials - in overall material use. The circular material use rate is defined as the ratio of the circular use of materials to the overall material use.

Source of data: Eurostat online data code: [Circular material use rate SDG 12 41](#)

Baseline (2017)	Interim milestone (2022)	Target (2024)	Latest known result (2020)
11.52%	Increase	Increase	12.8%





Specific objective 1.1: Indicator on simplification and burden reduction

Result indicator: Proportion of proposed legislative revisions that include burden reduction measures


Explanation: The indicator measures how the Commission upholds its commitment to ensure that proposals for legislative revisions incorporate burden reduction measures, in the broader context of REFIT programme and One-In, One-Out approach. The indicator shows how many proposed legislative revisions out of the total, for each relevant specific objective, include measures that concretely reduce burden.

Source of data: DG GROW internal monitoring




Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known result (planned for 2021)
0 out of 0	Positive trend	Positive trend	0 out of 0

General objective: A Europe fit for the digital age			
Specific objective 1: European enterprises make the digital and green transition		Related to spending programme(s): No	
Main outputs in 2021:			
New initiatives			
Output	Indicator	Target	Status
 Industrial strategy for Europe	Commission adoption	Q1 2021	√ 05/05/21
 Regulation on foreign subsidies distorting the internal market	Commission adoption	Q2 2021	√ 05/05/21
Intellectual Property package	Commission adoption	2021	In planning, adoption foreseen Q4 2022
Product Liability Directive (GROW and JUST)	Commission adoption	2021	In planning, adoption foreseen Q3 2022
Common chargers for mobile phones and similar devices (Delegated Act)	Commission adoption	Q3 2021	√ 23/09/21
Cybersecurity of certain radio equipment (Delegated Act)	Commission adoption	Q2 2021	√ 29/10/21
Compliance of software uploads into certain radio equipment (Delegated Act)	Commission adoption	Q4 2021 – Q1 2022	In planning, adoption put on hold 2022
Access to vehicle data, functions and resources	Commission adoption	Q3 2021	In planning, adoption foreseen Q4 2022
Road circulation requirements for mobile machinery	Commission adoption	Q4 2021	In planning, adoption foreseen Q3 2022
Regulatory simplification and burden reduction, evaluations and fitness checks			
Output	Indicator	Target	Status
 Revision of the Machinery Directive	Commission adoption	Q2 2021	√ 21/04/21
 Evaluation of the Electromagnetic Compatibility Directive	Finalisation	Q3 2021	In planning, adoption foreseen Q3 2022
Report on and evaluation of the Postal Services Directive	Finalisation	Q2 2021	√ 08/11/21

General objective: A Europe fit for the digital age				
Public consultations				
Output	Indicator	Target		
Adapting liability rules to the digital age and AI (GROW and JUST)	Start of the consultation	2021	√ 18/10/21-10/01/22	
Type approval of motor vehicles regarding access to in-vehicle generated data	Start of the consultation	2021	Expected launch Q1 2022	
Geographical indication for non-agricultural products	Start of the consultation	2021	√ 29/04/21-22/07/21	
Outreach				
Output/ Result	Indicator	Target		
Seek at least the same level of participants to and engagement at main events (e.g. European Industry days, Cluster conference, SME Week, SME Assembly, Plastic Alliance conference) as in previous years even though comparison between physical and virtual meetings is not straight forward. Seek high reach in (social media) campaigns	Number of participants, reach, interactions, policy inputs	Reaching at least the 2020 levels	EUID: 6500 virtual SME Assembly/Week: 340 in person, 470 online (Due to covid, only a virtual stand/profile at Hannover Messe)	
Specific objective 2: More European SMEs have access to cross-border business		<i>Related to spending programme(s): No</i>		
Main outputs in 2021:				
New initiatives				
Output	Indicator	Target		
Enforcement actions on the Late Payments Directive	Number of infringement procedures opened against Member States to promote proper enforcement of the Late Payment Directive	2021	5 infringement procedures – 3 new ones and 2 advancements of ongoing procedures	
Outreach				
Output/ Result	Indicator	Target		
Reaching the relevant target groups of entrepreneurs via mainly online campaigns on different 'hot' SME topics such as Access to finance, Escalar and internationalisation.	Number of audience reached and engagement received via feedback and policy input	For recurring campaigns reach at least 2020 levels and for new ones, where possible, build on existing audience from earlier campaigns to reach same levels	Access2Finance portal promotion: 56 million impressions Outreach to Businesses and citizens: 23 million impressions, 7 million reached, 200K clicks	
Specific objective 3: More business opportunities are generated by trading in the Single Market		<i>Related to spending programme(s): Yes</i>		
Main outputs in 2021:				
New initiatives				

General objective: A Europe fit for the digital age			
Output	Indicator	Target	
Launch of the Single Market Programme	First calls for proposals	Q1 2021	12 calls launched in 2021: (9 SME pillar – 3 Consumer pillar)
Standardisation Strategy	Commission adoption	Q4 2021	√ 02/02/22
Outreach			
Output/ Result	Indicator	Target	
Disseminating and triggering demand with relevant entrepreneur audiences via Networks and events. Toolkit helping SMEs doing business abroad	Number of audiences reached and feedback received	Comparable to the EU Open for business yearly reach of entrepreneurs per Member State (in proportion of the budget invested)	Access2Finance portal promotion: 56 million impressions EU Open for Business – A New Compass for SMEs Webinars brought additional audiences to the EU support tools for SMEs
Specific objective 4: Promote compliance with EU Single Market rules and enforce them		<i>Related to spending programme(s) : No</i>	
Main outputs in 2021:			
New initiatives			
Output	Indicator	Target	
Strategic Report of the Single Market enforcement	Commission adoption	Q2 2021	√ 05/05/21
Regulatory simplification and burden reduction, evaluations and fitness checks			
Output	Indicator	Target	
 Evaluation of the New Legislative Framework for products	Finalisation	Q4 2021 – Q2 2021	In planning, adoption foreseen in Q3 2022
Outreach			
Output/ Result	Indicator	Target	
Reaching authorities and entrepreneurs, increase the signalling of Single Market barriers via Your Europe and number of citizens made aware of the new Your Europe/Single Digital Gateway.	Number of audiences reached and feedback received.	Increase in visits on YourEurope/Single Digital Gateway and increase in Single Market barriers signalling via Your Europe (single complaint access point)	YE/SDG visits in 2021: 50 million

General objective: A European Green Deal			
Specific objective: Increase the share of material recovered, recycled and fed back into the economy		<i>Related to spending programme(s): No</i>	
Main outputs in 2021:			
New initiatives			
Output	Indicator	Target	

General objective: A European Green Deal			
 Sustainable products policy initiative, including a revision of the Ecodesign Directive (with DGs ENV and ENER)	Commission adoption	Q4 2021	In planning, adoption foreseen Q1 2022
 Development of post-Euro 6/VI emission standards for cars, vans, lorries and buses	Commission adoption	Q4 2021	In planning, adoption foreseen Q3 2022
Amendments to certain chemicals legislation to implement the Chemicals Strategy	Commission adoption	2021	In planning for 2022
Regulatory simplification and burden reduction, evaluations and fitness checks			
Output	Indicator	Target	
 Revision of the Construction Products Regulation	Commission adoption	Q4 2021	In planning, adoption foreseen in Q1 2022
Public consultations			
Output	Indicator	Target	
Sustainable Products initiative	Start of the consultation	2021	√ 17/03/21- 09/06/21
Ecodesign of smartphones and tablets	Start of the consultation	2021	√ 31/05/21-23/08/21
Outreach			
Output/ Result	Indicator	Target	
Reaching main audience groups (entrepreneurs and citizens) to inform on Green Deal advantages and receive feedback and ideas.	Number of audiences reached and feedback received.	At least same number of participants to related events as in 2020	<p>EUID: 6500 online</p> <p>SME Assembly/Week: 340 in person, 470 online</p> <p>Outreach to Businesses and citizens: 23 million impressions, 7 million reached, 200K clicks</p>

ANNEX 3: Draft annual accounts and financial reports

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2021 (in Mio €) for DG GROW					
			Commitment appropriations authorised	Commitments made	%
			1	2	3=2/1
Title 01 Research and Innovation					
01	01 01	Support administrative expenditure of the "Research and Innovation" cluster	8,37	7,60	90,76 %
	01 02	Horizon Europe	2,82	0,90	31,87 %
	01 20	Pilot projects, preparatory actions, prerogatives and other actions	1,50	1,50	100,00 %
Total Title 01			12,70	10,00	78,76 %
Title 02 European Strategic Investments					
02	02 02	InvestEU Fund	0,00	0,00	0,00 %
	02 04	Digital Europe programme	1,05	1,05	100,00 %
Total Title 02			1,05	1,05	100,00 %
Title 03 Single Market					
03	03 01	Support administrative expenditure of the "Single Market" cluster	17,48	17,03	97,45 %
	03 02	Single Market Programme	71,33	61,53	86,26 %
	03 05	Cooperation in the field of customs (Customs)	0,00	0,00	0,00 %
	03 10	Decentralised agencies	66,17	63,60	96,11 %
	03 20	Pilot projects, preparatory actions, prerogatives and other actions	0,09	0,08	90,58 %
Total Title 03			155,07	142,24	91,73 %
Title 04 Space					
04	04 01	Support administrative expenditure of the "Space" cluster	0,18	0,18	100,00 %
Total Title 04			0,18	0,18	100,00 %
Title 08 Agriculture and Maritime Policy					
08	08 01	Support administrative expenditure of the "Agriculture and Maritime Policy" cluster	0,90	0,90	100,00 %
	08 04	European Maritime and Fisheries Fund (EMFF)	0,00	0,00	0,00 %
Total Title 08			0,90	0,90	100,00 %
Title 09 Environment and Climate Action					
09	09 01	Support administrative expenditure of the "Environment and Climate Action" Cluster	1,76	1,76	100,00 %
	09 02	Programme for the Environment and Climate Action (LIFE)	0,00	0,00	0,00 %
Total Title 09			1,76	1,76	100,00 %
Title 13 Defence					
13	13 01	Support administrative expenditure of the "Security and Defence" cluster	0,12	0,12	100,00 %
Total Title 13			0,12	0,12	100,00 %
Title 15 Pre-accession Assistance					
15	15 01	Support administrative expenditure of the "Pre-accession Assistance" cluster	0,00	0,00	0,00 %
Total Title 15			0,00	0,00	0,00 %
Title 20 Administrative expenditure of the European Commission					
20	20 02	Other staff and expenditure relating to persons	0,36	0,36	100,00 %
	20 04	Information and communication technology related expenditure	0,00	0,00	0,00 %
Total Title 20			0,36	0,36	100,00 %
Total Excluding NGEU			172,13	156,60	90,98 %
Total DG GROW			172,13	156,60	90,98 %

* 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).

% Outturn on Commitment Appropriations in 2021 for DG GROW

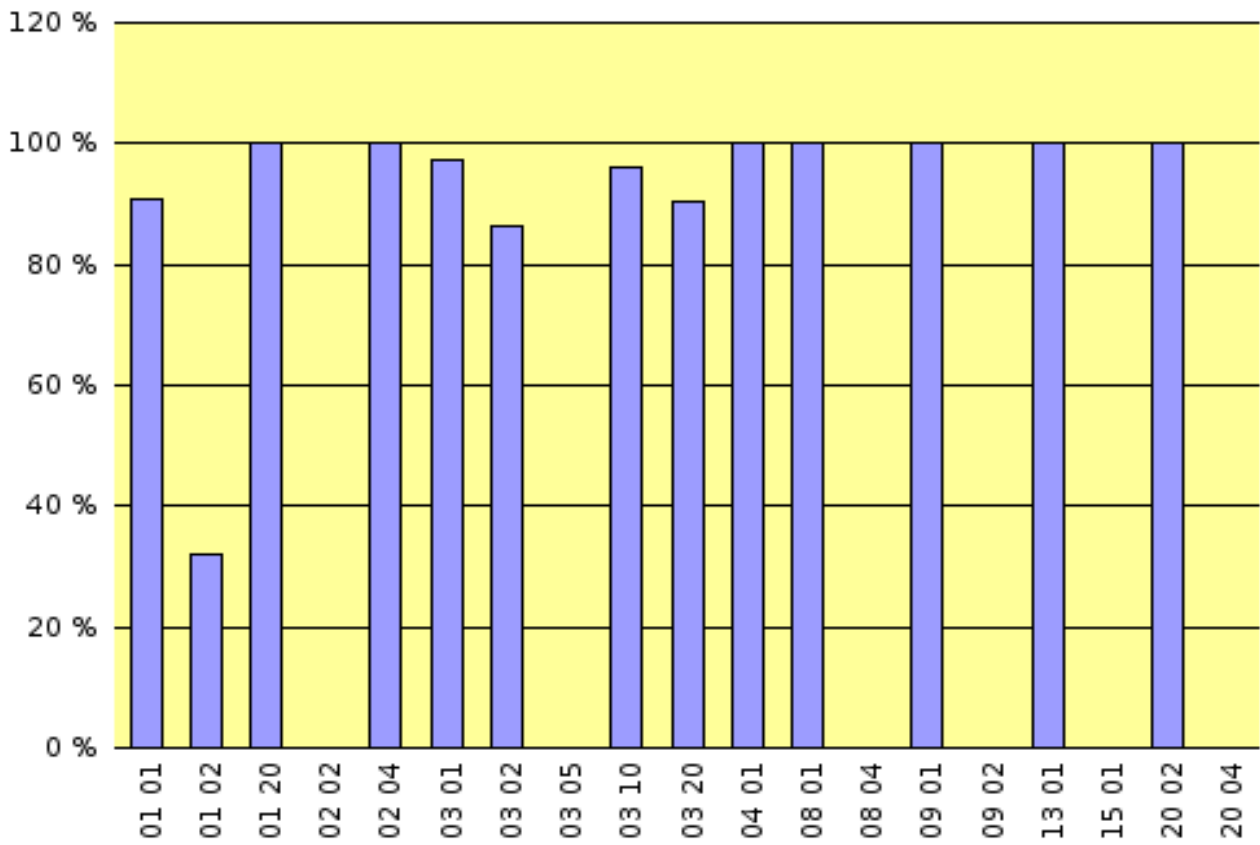


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS in 2021 (in Mio €) for DG GROW					
			Payment appropriations authorised *	Payments made	%
			1	2	3=2/1
Title 01 Research and Innovation					
01	01 01	Support administrative expenditure of the "Research and Innovation" cluster	8,62	7,79	90,41 %
	01 02	Horizon Europe	4,28	1,73	40,45 %
	01 20	Pilot projects, preparatory actions, prerogatives and other actions	0,00	0,00	0,00 %
Total Title 01			12,90	9,52	73,84%
Title 02 European Strategic Investments					
02	02 02	InvestEU Fund	142,17	142,17	100,00 %
	02 04	Digital Europe programme	0,00	0,99	0,00 %
Total Title 02			142,17	143,16	100,70%
Title 03 Single Market					
03	03 01	Support administrative expenditure of the "Single Market" cluster	19,47	15,52	79,72 %
	03 02	Single Market Programme	69,82	55,57	79,59 %
	03 05	Cooperation in the field of customs (Customs)	0,10	0,10	100,00 %
	03 10	Decentralised agencies	66,17	63,60	96,11 %
	03 20	Pilot projects, preparatory actions, prerogatives and other actions	7,09	7,09	100,00 %
Total Title 03			162,65	141,88	87,23%
Title 04 Space					
04	04 01	Support administrative expenditure of the "Space" cluster	0,40	0,32	80,77 %
Total Title 04			0,40	0,32	80,77%
Title 08 Agriculture and Maritime Policy					
08	08 01	Support administrative expenditure of the "Agriculture and Maritime Policy" cluster	0,90	0,90	100,00 %
	08 04	European Maritime and Fisheries Fund (EMFF)	0,28	0,28	100,00 %
Total Title 08			1,18	1,18	100,00%
Title 09 Environment and Climate Action					
09	09 01	Support administrative expenditure of the "Environment and Climate Action" Cluster	1,76	1,76	100,00 %
	09 02	Programme for the Environment and Climate Action (LIFE)	0,10	0,10	100,00 %
Total Title 09			1,86	1,86	100,00%
Title 13 Defence					
13	13 01	Support administrative expenditure of the "Security and Defence" cluster	0,15	0,09	62,72 %
Total Title 13			0,15	0,09	62,72%
Title 15 Pre-accession Assistance					
15	15 01	Support administrative expenditure of the "Pre-accession Assistance" cluster	0,00	0,00	0,00 %
Total Title 15			0,00	0,00	0,00%
Title 20 Administrative expenditure of the European Commission					
20	20 02	Other staff and expenditure relating to persons	0,65	0,57	87,68 %
	20 04	Information and communication technology related expenditure	0,20	0,15	76,95 %
Total Title 20			0,85	0,73	85,17%
Total Excluding NGEU			322,15	298,74	92,73%
Total DG GROW			322,15	298,74	92,73 %

* 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).

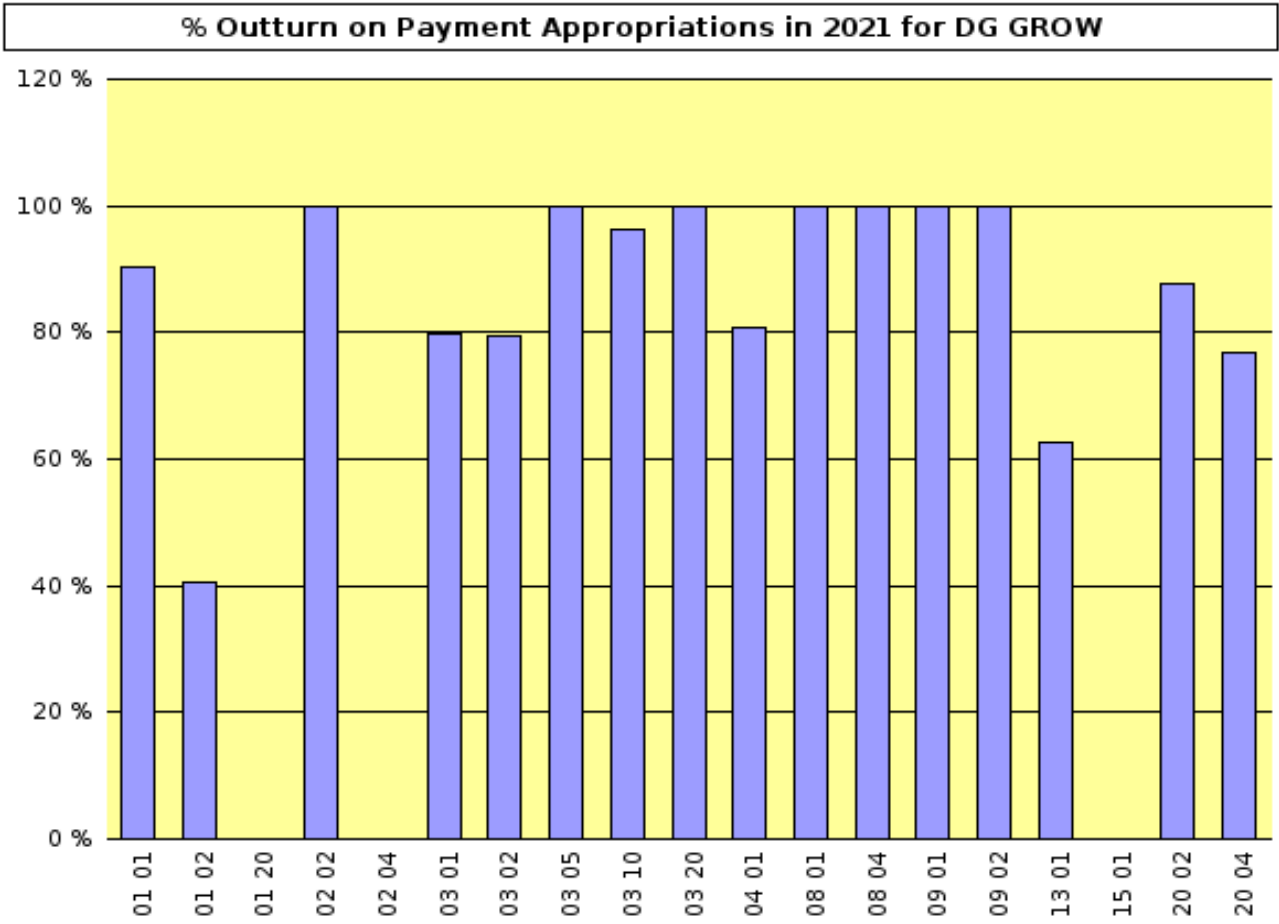


TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG GROW									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
01	01 01	Support administrative expenditure of the "Research and Innovation" cluster	7,60	7,55	0,05	0,69%	0,00	0,05	0,25
	01 02	Horizon Europe	0,90	0,00	0,90	100,00%	3,88	4,78	5,89
	01 20	Pilot projects, preparatory actions, prerogatives and other actions	1,50		1,50	100,00%	0,42	1,92	0,42
Total Title 01			10,00	7,55	2,45	24,52%	4,30	6,75	6,55
TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG GROW									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
02	02 02	InvestEU Fund	0,00	0,00	0,00	0,00%	430,03	430,03	572,20
	02 04	Digital Europe programme	1,05	0,00	1,05	100,00%	0,28	1,33	1,28
Total Title 02			1,05	0,00	1,05	100,00%	430,31	431,36	573,47
TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG GROW									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
03	03 01	Support administrative expenditure of the "Single Market" cluster	17,03	13,67	3,36	19,75%	0,00	3,37	2,16
	03 02	Single Market Programme	61,53	18,20	43,32	70,41%	22,47	65,79	65,00
	03 05	Cooperation in the field of customs (Customs)	0,00	0,00	0,00	0,00%	0,00	0,00	0,10
	03 10	Decentralised agencies	63,60	63,60	0,00	0,00%	0,00	0,00	0,00
	03 20	Pilot projects, preparatory actions, prerogatives and other actions	0,08	0,00	0,08	100,00%	7,16	7,24	15,76
Total Title 03			142,24	95,47	46,77	32,88%	29,63	76,40	83,02
TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG GROW									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
04	04 01	Support administrative expenditure of the "Space" cluster	0,18	0,11	0,08	41,46%	0,00	0,08	0,21
Total Title 04			0,18	0,11	0,08	41,46%	0,00	0,08	0,21
TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG GROW									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
08	08 01	Support administrative expenditure of the "Agriculture and Maritime Policy" cluster	0,90	0,90	0,00	0,00%	0,00	0,00	0,00
	08 04	European Maritime and Fisheries Fund (EMFF)	0,00	0,00	0,00	0,00%	0,52	0,52	0,80
Total Title 08			0,90	0,90	0,00	0,00%	0,52	0,52	0,80
TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG GROW									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
09	09 01	Support administrative expenditure of the "Environment and Climate Action" Cluster	1,76	1,76	0,00	0,00%	0,00	0,00	0,00
	09 02	Programme for the Environment and Climate Action (LIFE)	0,00	0,00	0,00	0,00%	0,43	0,43	0,53
Total Title 09			1,76	1,76	0,00	0,00%	0,43	0,43	0,53
TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG GROW									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
13	13 01	Support administrative expenditure of the "Security and Defence" cluster	0,12	0,06	0,06	47,81%	0,00	0,06	0,03
Total Title 13			0,12	0,06	0,06	47,81%	0,00	0,06	0,03
TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG GROW									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
15	15 01	Support administrative expenditure of the "Pre-accession Assistance" cluster	0,00		0,00	0,00%	0,00	0,00	0,00
Total Title 15			0,00		0,00	0,00%	0,00	0,00	0,00
TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG GROW									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
20	20 02	Other staff and expenditure relating to persons	0,36	0,30	0,05	14,63%	0,00	0,05	0,30
	20 04	Information and communication technology related expenditure	0,00	0,00	0,00	0,00%	0,00	0,00	0,20
Total Title 20			0,36	0,30	0,05	14,63%	0,00	0,05	0,50
Total Excluding NGEU			156,60	106,15	50,45	32,22%	465,19	515,65	665,12
Total for DG GROW			156,6026273	106,15	50,45	32,22%	465,19	515,65	665,12

Breakdown of Commitments Remaining to be Settled (in Mio EUR) in 2021 GROW

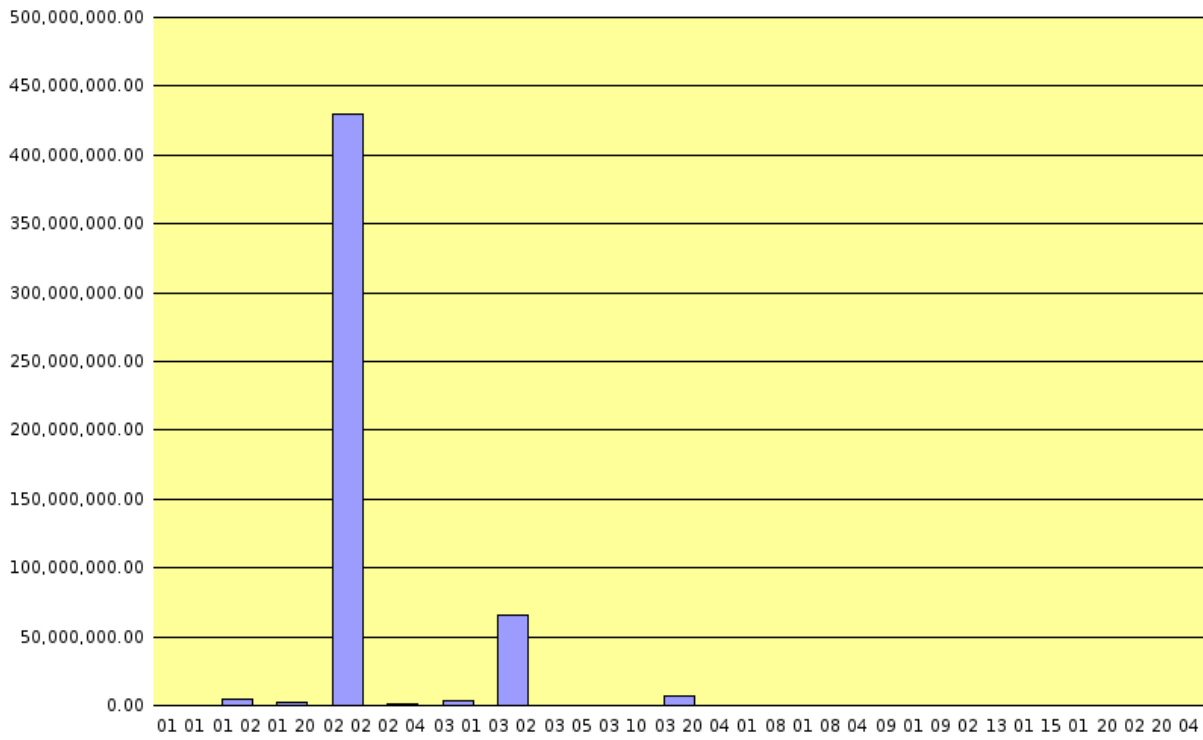


TABLE 4 : BALANCE SHEET for DG GROW

BALANCE SHEET	2021	2020
A.I. NON CURRENT ASSETS	163.996.978,71	100.871.521,45
A.I.1. Intangible Assets	1.899.235,71	488.918,45
A.I.2. Property, Plant and Equipment	-	-
A.I.4. Non-Current Financial Assets	162.097.743,00	100.382.603,00
A.I.5. Non-Current Pre-Financing	-	-
A.II. CURRENT ASSETS	630.959.023,13	646.360.800,02
A.II.1. Current Financial Assets	17.221.333,00	-
A.II.2. Current Pre-Financing	22.897.373,42	34.501.820,80
A.II.3. Curr Exch Receiv & Non-Ex Recoverables	1.194.989,71	1.070.004,22
A.II.6. Cash and Cash Equivalents	589.645.327,00	610.788.975,00
ASSETS	794.956.001,84	747.232.321,47
P.I. NON CURRENT LIABILITIES	-	490.116.385,00
P.I.2. Non-Current Provisions	-	490.116.385,00
P.I.3. Non-Current Financial Liabilities	-	-
P.III. NET ASSETS/LIABILITIES	-	10.811.946,00
P.III.1. Reserves	-	10.811.946,00
P.II. CURRENT LIABILITIES	816.607.901,78	437.653.671,45
P.II.2. Current Provisions	-	416.472.681,00
P.II.3. Current Financial Liabilities	779.701.546,00	-
P.II.4. Current Payables	36.906.355,78	21.180.990,45
P.II.5. Current Accrued Charges & Defrd Income	-	-
LIABILITIES	816.607.901,78	938.582.002,45
NET ASSETS (ASSETS less LIABILITIES)	21.651.899,94	191.349.680,98
P.III.2. Accumulated Surplus/Deficit	3.758.413.941,40	4.990.652.979,65
Non-allocated central (surplus)/deficit*	3.736.762.041,46	4.799.303.298,67
TOTAL DG GROW	0,00	0,00

The Balance Sheet and Statement of Financial Performance presented in Annex to this Annual Activity Report, represent only the assets, liabilities, expenses and revenues under the control of DG GROW. Amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Annex since they are managed centrally by the Commission's Accounting

Officer at DG Budget. Furthermore, it does not include the accruals and deferrals calculated centrally by the services of the Accounting Officer.

The balance sheet presented is not in equilibrium because the accumulated result of the Commission is not split amongst the various Directorates General.

The figures included in this annex are provisional since they might be subject to an audit by the Court of Auditors. It is thus possible that amounts included in these tables will have to be adjusted following this audit.

Explanatory note - Balance sheet

- A.I – NON CURRENT ASSETS

a) Assets under construction

In 2021 the development costs for the IT projects ICSMS and SDG are eligible for capitalization.

DG GROW is both owner and supplier for ICSMS, whereas for SDG, DG GROW is owner but the supply of the development is shared between DG GROW and DG DIGIT. A total of EUR 1,4 million has been activated (EUR 0,3 million for SDG and EUR 1,1 million for ICSMS). The same type of costs for these two projects has been activated in 2019.

b) Financial instruments

The COSME financial instruments assets are cash and cash equivalents located on the accounts of the European Investment Fund (EIF) that is implementing these instruments on behalf of DG GROW. These assets previously classified as 'available for sale' have been reclassified in 2021 as financial assets (FA) at fair value through surplus and deficit (FVSD) based on the revised EU Accounting Rule 11.

- A.II – CURRENT ASSETS

a) Prefinancings

There are three types of pre-financings in the balance sheet:

- subsidies: EUR 63,6 million for the regulatory agency ECHA and EUR 13,1 million to the executive agency ex-EASME for the three first months 2021;
- prefinancings to entrusted entities (the regulatory agencies ECHA and EUIPO and one UN organisation): EUR 6,8 million;
- prefinancings in direct management: EUR 13,7 million.

b) Financial instruments

The cash balance related to financial instruments, is related to the cash belongings to the COSME Financial Instruments covering the funds transferred to the fiduciary bank accounts opened by the EIF for the purpose of management of the Loan Guarantee Facility (LGF) and the Equity Facility for Growth (EFG) financial instruments.

- P.II – CURRENT LIABILITIES

The highest amount regarding the liabilities (EUR 780 million) is related to the Financial Guarantees of the COSME Loan Guarantee Facility (LGF). The provision booked last year (EUR 490 million end 2020) is now appearing as “Current Financial Liabilities” in accordance with the revised EU Accounting Rule 11 (EAR 11). This high amortisation proposed by the EIF has been validated because in 2021, the portfolio has been at its highest stage and the repayments are high (negative scenario).

TABLE 5 : STATEMENT OF FINANCIAL PERFORMANCE for DG GROW

STATEMENT OF FINANCIAL PERFORMANCE	2021	2020
II.1 REVENUES	- 356.256.980,09	- 10.911.006,84
II.1.1. NON-EXCHANGE REVENUES	- 133.155,11	- 12.522.576,55
II.1.1.6. RECOVERY OF EXPENSES	- 133.155,11	- 42.438,55
II.1.1.8. OTHER NON-EXCHANGE REVENUES	-	- 12.480.138,00
II.1.2. EXCHANGE REVENUES	- 356.123.824,98	- 1.611.569,71
II.1.2.1. FINANCIAL INCOME	- 369.318.038,00	- 3.970.251,88
II.1.2.2. OTHER EXCHANGE REVENUE	- 13.194.213,02	- 5.581.821,59
II.2. EXPENSES	474.968.768,69	- 1.208.972.257,41
II.2. EXPENSES	474.968.768,69	- 1.208.972.257,41
II.2.10. OTHER EXPENSES	35.913.588,71	355.762.899,25
II.2.2. EXP IMPL BY COMMISS&EX.AGENC. (DM)	48.223.698,78	- 7.744.187,36
II.2.3. EXP IMPL BY OTH EU AGENC&BODIES (IM)	62.847.591,88	- 751.995.728,18
II.2.4. EXP IMPL BY 3RD CNTR & INT ORG (IM)	-	- 754.422.542,83
II.2.5. EXP IMPL BY OTHER ENTITIES (IM)	-	- 51.411.485,40
II.2.6. STAFF AND PENSION COSTS	- 87.100,00	-
II.2.8. FINANCE COSTS	328.070.989,32	838.787,11
STATEMENT OF FINANCIAL PERFORMANCE	118.711.788,60	- 1.219.883.264,25

Explanatory note - Statement of financial performance

Apart from the usual operational revenues and costs of DG GROW, the following costs could be underlined:

- IT costs where a part has been transferred as development costs to assets under construction (EUR 1,4 million);
- For the first trimester 2021, a subsidy of EUR 13 million was paid by DG GROW to the executive agency EASME and for the whole year, EUR 61 million to the regulatory agency ECHA
- In 2021, fees EUR 5,2 million were paid to the European Investment Bank (EIF) for the management of the financial instruments EFG and LGF;
- the implementation costs of the entrusted entities (ECHA EUR 1,6 million);
- the late interests paid in 2021 are related to an invoice from 2020 paid late in January 2021 due to the lack of payment appropriations end 2020.

TABLE 5bis : OFF BALANCE SHEET for DG GROW

OFF BALANCE	2021	2020
OB.1. Contingent Assets	598.339,60	127.570,98
GR for pre-financing	598.339,60	127.570,98
OB.2. Contingent Liabilities	- 782.365.895,00	- 2.502.458,00
OB.2.1. Guarantees given for EU FI	- 782.365.895,00	- 2.502.458,00
OB.3. Other Significant Disclosures	-	-
OB.3.2. Comm against app. not yet consumed		-
OB.3.3.4. Galileo programme	-	-
OB.3.3.5. GMES programme COPERNICUS		-
OB.4. Balancing Accounts	1.821.009.305,40	1.041.616.637,02
OB.4. Balancing Accounts	1.821.009.305,40	1.041.616.637,02
OFF BALANCE	1.039.241.750,00	1.039.241.750,00

TABLE 6: AVERAGE PAYMENT TIMES in 2021 for GROW

Legal Times									
Maximum Payment Time (Days)	Total Nbr of Payments	Nbr of Payments within Time Limit	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)	Late Payments Amount	Percentage
30	617	605	98,06 %	13,692137	12	1,94 %	33,83333	674806	0, %
45	2	2	100,00 %	16				0	0, %
60	223	222	99,55 %	23,13964	1	0,45 %	71	72000	0, %
90	34	34	100,00 %	41,441176				0	0, %
Total Number of Payments	876	863	98,52 %		13	1,48 %		746806	0, %
Average Net Payment Time	17,50998068			17,221023			36,69231		
Average Gross Payment Time	19,84160548			19,28302			56,92308		

Suspensions							
Average Report Approval Suspension	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	31	72	8,22 %	876	7.906.920,44	2,63 %	300.632.335,14

Late Interest paid in 2021			
DG	GL Account	Description	Amount (Eur)
GROW	65010100	Interest on late payment of charges New FR	364,32
			364,32

TABLE 7 : SITUATION ON REVENUE AND INCOME in 2021 for DG GROW

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	
33	0,00	14.683,51	14.683,51	0,00	0,00	0,00	14.683,51
60	2.335.313,45	0,00	2.335.313,45	2.292.917,26	0,00	2.292.917,26	42.396,19
62	1.295.874,16	0,00	1.295.874,16	1.295.874,16	0,00	1.295.874,16	0,00
66	2.575.616,19	0,00	2.575.616,19	2.575.616,19	0,00	2.575.616,19	0,00
67	0,00	965.470,95	965.470,95	0,00	0,00	0,00	965.470,95
Total DG GROW	6206803,8	980154,46	7186958,26	6164407,61	0	6164407,61	1022550,65

**TABLE 8 : RECOVERY OF PAYMENTS in 2021 for DG GROW
(Number of Recovery Contexts and corresponding Transaction Amount)**

INCOME BUDGET RECOVERY ORDERS ISSUED IN 2021	Irregularity		Total undue payments recovered		Total transactions in recovery context (incl. non-qualified)		% Qualified/Total RC	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
Year of Origin (commitment)								
2015					1	128.570,25		
2018	1	748,88	1	748,88	8	207.335,85	12,50%	0,36%
2019					3	2.425,50		
2020					7	5.765.877,93		
Sub-Total	1	748,88	1	748,88	19	6,104,209,53	5,26%	0,01%

EXPENSES BUDGET	Irregularity		OLAF Notified		Total undue payments recovered		Total transactions in recovery context (incl. non-qualified)		% Qualified/Total RC	
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
INCOME LINES IN INVOICES										
NON ELIGIBLE IN COST CLAIMS	8	648,692,84			8	648,692,84	11	935,429,34	72,73%	69,35%
CREDIT NOTES	13	80,995,61			13	80,995,61	42	1,708,882,50	30,95%	4,74%
Sub-Total	21	729,688,45			21	729,688,45	53	2,644,311,84	39,62%	27,59%
GRAND TOTAL	22	730,437,33			22	730,437,33	72	8,748,521,37	30,56%	8,35%

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2021 for DG GROW

	Number at 01/01/2021	Number at 31/12/2021	Evolution	Open Amount (Eur) at 01/01/2021	Open Amount (Eur) at 31/12/2021	Evolution
2011	1	1	0,00 %	57.746,53	57.746,53	0,00 %
2012	1	1	0,00 %	88.590,71	88.590,71	0,00 %
2013	3	3	0,00 %	891.671,54	891.671,54	0,00 %
2021		1			42.396,19	
	5	6	20,00 %	1.038.008,78	1.080.404,97	4,08 %

TABLE 10 : Recovery Order Waivers >= 60 000 € in 2021 for DG GROW

	Waiver Central Key	Linked RO Central Key	RO Accepted Amount (Eur)	LE Account Group	Commission Decision	Comments
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Total DG GROW	
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Number of RO waivers	
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TABLE 11 : Negotiated Procedures in 2021 for DG GROW

Internal Procedures > € 60,000

Negotiated Procedure Legal base	Number of Procedures	Amount (€)
Annex 1 - 11.1 (a) - Follow-up of an open/restricted procedure where no (or no suitable) tenders/requests to participate have been submitted	1	120.800,00
Total	1	120.800,00

*Extension of contract authorised by DG on 20/06/2019

TABLE 12 : Summary of Procedures in 2021 for DG GROW

Internal Procedures > € 60,000

Procedure Legal base	Number of Procedures	Amount (€)
Negotiated procedure middle value contract (Annex 1 - 14.2)	3	279.716,00
Negotiated procedure without prior publication (Annex 1 - 11.1)	1	120.800,00
Open procedure (FR 164 (1)(a))	13	3.133.901,50
Total	17	3.534.417,50

ANNEX 4: Financial Scorecard

The Annex 4 of each Commission service summarises the annual result of the standard financial indicators measurement. Annexed to the Annual Activity Report 2021, 10 standard financial indicators are presented below, each with its objective and result for the Commission service and for the EC as a whole (for benchmarking purposes):

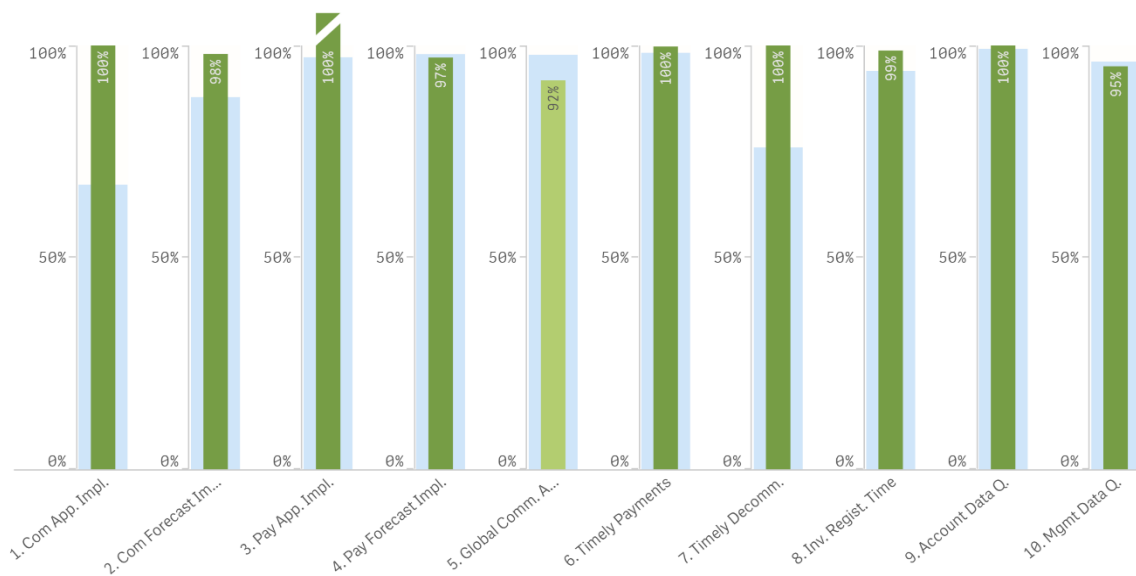
- Commitment Appropriations (CA) Implementation
- CA Forecast Implementation
- Payment Appropriations (PA) Implementation
- PA Forecast Implementation
- Global Commitment Absorption

- Timely Payments
- Timely Decommits
- Invoice Registration Time
- Accounting Data Quality
- Management Data Quality

For each indicator, its value (in %) for the Commission service is compared to the common target (in %). The difference between the indicator's value and the target is colour coded as follows:

- 100 – >95% of the target: dark green
- 95 – >90% of the target: light green
- 90 – >85% of the target: yellow
- 85 – >80% of the target: light red
- 80 – 0% of the target: dark red

GROW Indicator Scores 2021



For each indicator the light blue bar denotes the EC Score.

Indicator	Objective	Comment ²	GROW Score	EC Score
1. Commitment Appropriations Implementation	Ensure efficient use of commitment appropriations expiring at the end of Financial Year	DG GROW has achieved in 2021 its objective of 100% commitment execution, far above the EC average.	100%	67%
2. Commitment Forecast Implementation	Ensure the cumulative alignment of the commitment implementation with the commitment forecast in a financial year	In 2021, DG GROW has achieved a very good result for its commitment forecasting (98% accuracy). DG GROW will aim at improving this result in 2022.	98%	88%
3. Payment Appropriations Implementation	Ensure efficient use of payment appropriations expiring at the end of Financial Year	DG GROW has achieved in 2021 its objective of 100% payment execution. *PA Implementation higher than 100% is a result of DG GROW consuming payment appropriations of a different DG under a co-delegation, which were not transferred to DG GROW.	100%	97%
4. Payment Forecast Implementation	Ensure the cumulative alignment of the payment implementation with the payment forecast in a financial year	In 2021, DG GROW has achieved a good result for its payment forecasting (97% accuracy); the objective is to improve this result in 2022.	97%	98%
5. Global Commitment Absorption ³	Ensure efficient use of already earmarked commitment appropriations (at L1 level)	In 2021, DG GROW has achieved a good result in terms of global commitment absorption (92%); the objective is to improve this result in 2022.	92%	98%
6. Timely Payments	Ensure efficient processing of	In 2021, 100% of DG GROW's payments were made in due time.	100%	98%

² An explanation behind the indicator result can be provided, e.g. the comment about the achievement itself, reference to the whole Commission performance (better or worse), reasons behind this achievement. The comment is mandatory for the 'Timely payments' indicator. For the rest of indicators the comment is mandatory only if the score is equal or below the target of 80%.

³ Due to technical limitation, the indicator does not take into account the Com L1 Consumption between the FDC ILC date and the FA FDI allowed as an exception in the external actions for Com L1 of type GF, i.e. with Financing Agreement, under the FR2018 Article 114.2. As a result, the actual Indicator score may be slightly higher than the one reported for DGs using the GF commitments.

	payments within the legal deadlines			
7. Timely Decommitments	Ensure efficient decommitment of outstanding RAL at the end of commitment life cycle	All needed decommitments were performed in due time in 2021.	100%	76%
8. Invoice Registration Time	Monitor the accounting risk stemming from late registration of invoices in the central accounting system ABAC	In 2021, DG GROW has achieved a very good result in terms of timely invoice registration (99%).	99%	94%
9. Accounting Data Quality	Ensure the good data quality of ABAC transactions with the focus on fields having a primary impact on the accounts	Data quality of the financial transactions was excellent in 2021 thanks to a close monitoring of the data quality during the year.	100%	99%
10. Management Data Quality	Ensure the good data quality of ABAC transactions with the focus on fields having a primary impact on the management decisions	Data quality related to management decisions was very good in 2021. DG GROW will aim at improving further in 2022.	95%	96%

ANNEX 5: Materiality criteria

The assessment of the effectiveness of the different programmes' control system in DG GROW 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.

The error rate affecting the payments is estimated yearly and per management system, following a relevant methodology that takes into account the risk associated to the type of expenditure (in terms of probability and final financial impact).

In conformity with the current guidelines, DG GROW applies the following quantitative and qualitative materiality criteria, in order to assess the overall impact of a weakness and judge whether it is material enough to have an impact on the assurance.

Qualitative assessment

Qualitative criteria may cover significant reputational risks for the DG or the Commission and significant weaknesses in the internal control systems. For assessing the significance of the weakness, the nature and scope, duration, existence of mitigating controls and/or remedial actions are taken into account.

For weaknesses, which are considered significant in qualitative terms but not in quantitative terms, DG GROW takes into account the possible reputational impact they may entail to the image of DG GROW and the Commission. They will be assessed according to context and nature of the impact, awareness and duration.

Quantitative assessment

As regards legality and regularity, the proposed standard quantitative materiality threshold of 2% of the residual error rate of the executed payments is applied. DG GROW considers it an appropriate threshold above which weaknesses detected should be considered "material".

In DG GROW, this applies to all events detected throughout the year and with a quantifiable impact on legality and regularity.

Assessment of the 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 corrections in favour of the EC, detected by ex-post audits, measured with respect to the amounts accepted after ex-ante controls.

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 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 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 the control strategy, the Director-General of GROW is 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, where this is needed, 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, 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, where applicable.

De minimis' threshold for financial reservations:

Since 2019 ⁽⁴⁾, a 'de minimis' threshold for financial reservations has been introduced. Quantified AAR reservations related to residual error rates above the 2% materiality threshold, are deemed not substantial for segments representing less than 5% of a DG's total payments and with a financial impact below EUR 5 million. In such cases, quantified reservations are no longer needed.

⁴ Agreement of the Corporate Management Board of 30/4/2019.

ANNEX 6: Relevant Control Systems for budget implementation (RCSs)

DG GROW Relevant Control Systems have been last approved in December 2020, in the frame of the update of DG GROW Control Strategy⁵

RCS N°1: Budget entrusted to external entities

This RCS covers: (1) the subsidy to the EISMEA Executive Agency for its operating budget,
 (2) the balancing subsidy to **ECHA**,
 (3) the payments made to entrusted entities in the frame of contribution agreements,
 (4) cross sub-delegations to **other Commission services**.

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)
In case of indirect management, the Delegation Agreement (DA) does not clearly set out : - delegated tasks, responsibilities of each	List of the <i>lessons learned</i> from prior similar DAs Ex-ante review by different Units within DG GROW (DIR B) Consultation of the central EU services (DG BUDG, Legal Service)	Coverage/Frequency: 100 %/once Depth: Checklist includes a list of the requirements of the regulatory provisions to be complied with.	Costs: estimation of FTEs involved in the preparation and adoption work Benefits: - Total budget amount entrusted to the entity in case of detection of no

⁵ DG GROW Control Strategy ([Ares\(2020\)7726984](#), dated 18/12/2020)

Main risks	Mitigating controls	Coverage frequency and depth	Cost-Effectiveness indicators (three E's)
<p>involved actor</p> <ul style="list-style-type: none"> - 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>Hierarchical validation within the authorising directorate</p> <p>Describe modalities of cooperation, supervision and reporting in the DA</p> <p>Explicit allocation of supervision responsibility to individual officials (reflected in task assignment or function descriptions)</p>	<p><u>Factors</u> 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>significant (legal) errors</p> <ul style="list-style-type: none"> - 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 findings/ very important recommendation <p>Efficiency:</p> <ul style="list-style-type: none"> - 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 10-15 %)

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)
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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 systems coexist with the risk of the EE's own system being applied to EU funds - 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 	<ul style="list-style-type: none"> - DG GROW internal or independent external ex-ante assessment of the EE ensuring that there is the same level of protection of the financial interests of the Union equivalent to the one that is provided for when the Commission implements the EU budget (Article 62 FR⁶) - Hierarchical validation within the authorising directorate - Require justification and prior consent for any deviation to financial rules (e.g. Riders or Contract Change Notices) - Require timely notification by the EE of any changes to its financial or control systems subsequent to the signature of the DA - Statement obtained from another DG which also has a DA with the EE 	<p>Coverage/frequency:</p> <ul style="list-style-type: none"> - <u>International organisations</u>: prior to the signature, assessment of internal control system of the EE followed if necessary by ad hoc targeted system controls - <u>Agencies</u>: targeted system controls/ad hoc <p>Depth:</p> <ul style="list-style-type: none"> - 100 % 	<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 weaknesses are detected - DG’s reputation remains intact <p>Effectiveness:</p> <ul style="list-style-type: none"> - validation of the pillar assessment by the EC central services (DG BUDG) - no ECA or IAS findings/very important recommendation - 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

⁶ The future entrusted entities must meet requirements with regard to the following nine “pillars”: 1. the internal control system, 2. the accounting system, 3. an independent external audit, as well as rules and procedures for: 4. providing financing from EU funds through grants (optional), 5. procurement (optional), 6. financial instruments (optional), 7. exclusion from access to funding, 8. publication of information on recipients, 9. protection of personal data.

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
			(by the EE) - Time-To-(Re)Assess Economy: ratio FTEs/funds entrusted (economic when below 10-15 %)

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 society. - Due to weak modalities of cooperation, supervision and reporting, DG GROW is not fully and timely informed of relevant 	<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 governance bodies and technical committees - detailed analysis of all reports submitted by the EE; if necessary, request additional 	<p>Coverage: 100 % of the entities are monitored/supervised.</p> <p>Frequency:</p> <ul style="list-style-type: none"> - daily (operational/financial/technical issues) - monthly (briefings and reports for high level governance meetings) - quarterly (report analysis) - annual (reports, review of Annual Reports for 	<p>Costs: estimation of FTEs involved in monitoring and supervision (including missions).</p> <p>Benefits:</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>

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<p>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.</p> <ul style="list-style-type: none"> - 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) - EE's procedures are changed during the mandate 	<p>ad hoc reports</p> <ul style="list-style-type: none"> - 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 - set up of ad hoc GROW - EE Task Forces to tackle problematic issues - if necessary, referral to OLAF - DG GROW is informed in due time of changes in order to assess the impact on the implementation of EU funds and agree or not on changes 	<p>reservations)</p> <p><u>In case of</u> operational / financial issues, measures are reinforced.</p> <p>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"> - 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 very important IAS recommendations 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 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 (EE), 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 level of control	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 level of control 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

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 level of control	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 control system is subject to AAR 	<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, refer to OLAF 	<p>Coverage: All delegation agreements are checked through samples.</p> <p>Regarding the subsidies paid to ECHA and EISMEA the budget executed on behalf of DG GROW, is checked by the European Court of Auditors.</p> <p>DG GROW does not perform ex-post audits on these agencies. The systems are presumed to be up to Commission standards.</p> <p>Frequency: once a year or every second year, depending on the entrusted entity</p> <p>The level of control 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

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

RCS N°2: Financial Instruments

This RCS covers: Financial Instruments entrusted to international financial institutions under indirect management in the frame of the COSME legacy programme (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 level of control	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)).</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): 5. 	<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>Level of control for DA: In-depth control, performed by both the operational and financial units.</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

Main risks	Mitigating controls	Coverage, frequency and level of control	Cost-Effectiveness indicators (three E's)
	<ul style="list-style-type: none"> • <i>DA contains detailed provisions with regard to the follow-up on the achievement of policy objectives</i> • <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>6. Annual approval of work programme by the COSME Member State Committee</p>	<p>Coverage / Frequency for annual work programme: 100 % / annually</p>	<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 Framework Agreement and signature of DA ○ 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 DA / total budget entrusted.

Main risks	Mitigating controls	Coverage, frequency and level of control	Cost-Effectiveness indicators (three E's)
<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 was achieved through:</p> <ul style="list-style-type: none"> • <i>Requirement for systematic co-investment of EIF own resources under the EFG</i> • <i>A fee structure to compensate the EIF for the implementation of the financial instruments which is linked to the achievement of the policy objectives</i> 	<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 budget implementation and use of funding in the most efficient and effective way • 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>The International Financial Institution does not have the experience and financial capacities as well as the administrative and control capacities to ensure effective</p>	<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</p>	<p>Coverage / Frequency: 100 % / once</p>	

Main risks	Mitigating controls	Coverage, frequency and level of control	Cost-Effectiveness indicators (three E's)
and sound implementation of the Financial Instrument	Framework Agreement		<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)
- 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)
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	<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 	<p>Coverage / Frequency:</p> <p>100 % / once (as continuous call for expression of interest)</p> <p>Depth: detailed provisions determined by the EIF in</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>

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<p>of interests' and 'no relations with offshore banking and tax havens'</p>	<ul style="list-style-type: none"> • 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>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>	<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 • value of equity/loans to be cancelled as a result of these controls • Selected financial intermediaries

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- 	<p>Coverage / Frequency: Risk-based or representative sample / on a continuous basis</p>	<p>meet the exclusion and eligibility criteria set out in the DA</p> <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</p> <p>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 concerned prevented/corrected

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 Institution⁷ and the reimbursement of any exceptional costs would not be in line with the Sound Financial Management objective (e.g. administrative fees</p>	<p>ante and ex-post controls, on-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</p>	<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</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>

⁷ Remuneration may include administrative fees, treasury management fees and incentives as well as exceptional and unforeseen expenses.

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 obligation requirements would not be respected</p>	<p>recipients, number of eligible final recipients, leverage achieved)</p> <ul style="list-style-type: none"> • 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 report on the monitoring activities carried out, summarising the findings and follow-up activities <p>The agreements between the EIF and the financial intermediaries contain relevant reporting, monitoring and audit obligations.</p>	<p>Coverage / Frequency:</p> <p>100 % / quarterly</p> <p>Risk-based or representative sample / on a continuous basis for the monitoring and control activities</p>	<p>Costs: estimation of cost of staff involved in the monitoring and supervision</p> <p>Benefits: Regularity and legality of 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)

Main risks	Mitigating controls	Coverage and level of control	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>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>Level of control: 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

Main risks	Mitigating controls	Coverage and level of control	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>	<p>DA provisions:</p> <ul style="list-style-type: none"> • EU exposure/liability limited to the EU Contribution Committed • 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</p> <p>Reporting on financial risk & off-balance-sheet liabilities</p> <p>Reporting on treasury management</p> <p>Clear provisions in the DA on governance chain and frequency/deadlines of reports</p>		<p>"issues", number of interventions, number of issues under reinforced internal control, auditing and monitoring, number of very important IAS recommendations and ECA findings.</p> <ul style="list-style-type: none"> • Number of cases submitted to OLAF <p>Efficiency: Timely delivery of reports and their reliability</p> <p>Economy: Management (fees) and supervision costs (FTE) over assets under management</p> <p>Average cost per Financial Instrument; % cost over value delegated</p> <p>Costs/Benefits ratio</p>

RCS N° 3: 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	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 - In-house technical training on procurement by experienced officers in grant and procurement management (PPGM Team) from GROW.R1 - 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 and Forecast 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

B - Needs assessment & definition

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

Main risks	Mitigating controls	Coverage frequency and level of controls	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 favoring 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 sometimes very technical and complex markets - Lack of proper understanding of the needs of the operational service leading to inappropriate application of rules. 	<ul style="list-style-type: none"> - Encourage use of open procedures, even in captive or restrictive markets - Technical specifications are prepared and validated by at least 2 staff members, and approved by the responsible Directorate before the launch of the call for tender - Verification and validation of tender documents by experienced officers in grant and procurement management (PPGM Team) in GROW.B2 before the launch of the call for tender - Accurate in-depth verification of the tender documents by the PPGM Team to ensure understanding of the needs of the service in order to provide constructive feedback upon verification and validation of tender documents. 	<ul style="list-style-type: none"> - 100 % of the specifications are verified. The level of the ex-ante controls 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. The level of control is risk-based, also depending on sensitivity of the procurement file. 	<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 PPGM Team at 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 suspensive opinions provided by the PPGM Team - 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 level of control	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 and issue of an opinion on evaluation and award process by experienced officers in grant and procurement management (PPGM Team) in GROW.B2 before award of the contract 	<ul style="list-style-type: none"> - Formal evaluation process: Opening and Evaluation committees for all tenders > € 139.000 including signature of declarations of absence of conflict of interests by the committee members - <u>Risk based approach:</u> <ol style="list-style-type: none"> 1) second review of evaluation and award documents and process by an ad hoc committee of Directors chaired by the Deputy Director General > € 10 million 2) validation of negotiated procedures > € 50.000 by the Director-General prior to any negotiation 3) validation of negotiated procedures > € 1 million by ad hoc committee chaired by the Deputy Director-General and two Directors prior to any negotiation - 100 % of the offers are evaluated by more than one 	<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 not challenged during standstill period <p>Non quantified Benefits:</p> <ul style="list-style-type: none"> - Compliance with the Financial Regulation - 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 suspensive opinions provided by the PPGM Team - n° of complaints or Ombudsman or Court cases resulting from non-compliant procurement process

Main risks	Mitigating controls	Coverage frequency and level of control	Cost-Effectiveness indicators (three E's)
		qualified staff member - 100 % of evaluations are checked. - The level of control is risk-based, also depending on the total value of the procurement file.	Efficiency: - Time-To-Contract Contract value/cost of FTEs involved in control of contracts

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 level of control	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - Bad or non-execution by the contractor, leading to serious issues 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 	<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 	<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 	Costs: <ul style="list-style-type: none"> - estimation of FTEs involved Quantified Benefits: <ul style="list-style-type: none"> - Amount of irregularities, errors and overpayments prevented by the controls Non quantified Benefits: <ul style="list-style-type: none"> - DG reputation intact Effectiveness: <ul style="list-style-type: none"> - n° of ECA findings and % error rate relating to contract management /payment stage - N° of court cases resulting from the

Main risks	Mitigating controls	Coverage frequency and level of control	Cost-Effectiveness indicators (three E's)
<p>provisions</p> <ul style="list-style-type: none"> - 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"> check of reports submitted by contractor - Management of sensitive functions 		<p>execution of the contract</p> <ul style="list-style-type: none"> - % budget execution rate – total amount committed/paid versus total budget envelope - % of contracts implemented - n° of very important audit recommendations from the IAS or findings from ECA <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 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 level of control	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 - indicators on procurement are regularly reported 	<ul style="list-style-type: none"> - 100 % : 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. - <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'.

RCS N° 4: Grants

This RCS covers: DG GROW grants under direct management, awarded in the framework of 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 	<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 calls (including those involved in the draft of the Work Programmes). <p>Benefits:</p> <ul style="list-style-type: none"> - Publicity of the calls for proposal to attract the best proposals. - The (average annual) total budgetary amount of the programmes with significant errors detected and corrected. <p>Effectiveness:</p> <ul style="list-style-type: none"> - % of n° of calls successfully

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - 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 target groups 			<p>concluded / number of calls planned in the Work Programme</p> <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	Frequency and level of control	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 	<ul style="list-style-type: none"> - Selection and appointment of expert evaluators - Assessment of evaluation procedure by independent experts 	<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) 	<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

Main risks	Mitigating controls	Frequency and level of control	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - 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 the calls - 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"> - Review of evaluation results by an ad hoc committee for big calls - Review of the evaluation file by PPGM - 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 - Redress procedure 	<ul style="list-style-type: none"> - 100 % of proposals are evaluated - 100 % of ranked list of proposals. Supervision of work of evaluators. - 100 % of contested decisions are analysed by a redress committee 	<p>and of the logistics of the evaluation</p> <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, 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>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>

Main risks	Mitigating controls	Frequency and level of control	Cost-Effectiveness indicators (three E's)
			<ul style="list-style-type: none"> - Average Time-To-Publication of selection results <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) and prevention of fraud (anti-fraud strategy).

Main risks	Mitigating controls	Frequency and level of control	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 	<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 	<p>Coverage:</p> <ul style="list-style-type: none"> - 100 % of the selected proposals and beneficiaries are scrutinised - 100 % of draft grant agreements 	<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

Main risks	Mitigating controls	Frequency and level of control	Cost-Effectiveness indicators (three E's)
<p>the grant agreement and its annexes</p> <ul style="list-style-type: none"> - 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) 	<p>applicants. Hierarchical validation of proposed adjustments.</p> <ul style="list-style-type: none"> - 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 	<p>The level of control 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>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)

Main risks	Mitigating controls	Frequency and level of control	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. - Eligibility conditions of the beneficiary may change during the implementation (e.g. SME bought by a larger company or a company becoming controlled by a third state) - 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 	<ul style="list-style-type: none"> - Kick-off meetings and "launch events" involving the beneficiaries in order to avoid project management and reporting errors - Explain and clarify at front rules on eligibility criteria (most current cases) - 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 level of control depends on risk criteria. However, in order to ensure a good balance between trust and control, the level of control at this stage is reduced to a minimum. - High risk operations identified by risk criteria: 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 Horizon 2020 	<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>

Main risks	Mitigating controls	Frequency and level of control	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - Insufficient operational performance monitoring of beneficiaries by project officers 			<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 (days) <p>Economy:</p> <ul style="list-style-type: none"> - % 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	Frequency and level of control	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - 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 ex-ante controls - 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 	<ul style="list-style-type: none"> - Common Representative audit sample (CRaS); Monetary Unit Sample (MUS) across the programme to draw valid management conclusions on the error rate in the population - DG GROW own sample, determined in accordance with the sampling methodology of DG GROW - Representative sample: random or MUS sample sufficiently representative to draw valid management conclusions (other DG GROW grants) 	<p>Costs:</p> <ul style="list-style-type: none"> - Estimation of cost of staff involved in the coordination and execution of the audit strategy. Audit mission costs. Cost of outsourced audits. <p>Benefits:</p> <ul style="list-style-type: none"> - <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 feeding back findings from audit. Improvement in rules and guidance from feedback from audit. <p>Effectiveness:</p> <ul style="list-style-type: none"> - DG GROW grants : Detected Error Rate - 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

Main risks	Mitigating controls	Frequency and level of control	Cost-Effectiveness indicators (three E's)
			Economy: - 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 and level of control	Cost-Effectiveness indicators (three E's)
- Errors, irregularities and cases of fraud detected are not addressed or not addressed timely	- 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	Coverage: 100 % of final audit results with a financial impact Depth: - 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	Costs: - estimation of cost of staff involved in the implementation of the audit results Benefits: - budget value of the errors, detected by ex-post controls, which have actually been corrected (offset or recovered) Loss: - budget value of such Recovery Orders which are 'waived' or have to be cancelled Effectiveness: - Amounts being recovered and offset

Main risks	Mitigating controls	Coverage and level of control	Cost-Effectiveness indicators (three E's)
			<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 7: Specific annexes related to "Financial Management"

Table Y - Overview of DG GROW's estimated cost of controls at Commission (EC) level:

EXPENDITURE

GROW	Ex ante controls***			Ex post controls			Total	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Relevant Control System (RCS) / Other as defined in Annex 6 of the AAR*	EC total costs	related payments Made	Ratio (%)** (a)/(b)	EC total costs	total value verified and/or audited	Ratio (%) (d)/(e)	EC total estimated cost of controls (a)+(d)	Ratio (%)** (g)/(b)
Financial instruments	4.344.853,16 €	141.879.694,00 €	3,06%	- €	- €	0,00%	4.344.853,16 €	3,06%
Budget entrusted to other entities	232.732,50 €	66.221.611,00 €	0,35%	- €	- €	0,00%	232.732,50 €	0,35%
Procurement	3.754.830,00 €	48.038.349,03 €	7,82%	- €	- €	0,00%	3.754.830,00 €	7,82%
Grants	636.925,50 €	12.965.245,08 €	4,91%	- €	- €	0,00%	636.925,50 €	4,91%
	- €	- €	0,00%	- €	- €	0,00%	- €	0,00%
OVERALL total estimated cost of control at EC level for expenditure	8.969.341,16 €	269.104.899,11 €	3,33%	- €	- €	0,00%	8.969.341,16 €	3,33%

The cost of control includes mainly the financial resources at DG GROW. For the COSME Financial instruments, it also includes the administrative and management fees paid to the EIF in 2021.

Budget entrusted to other entities

Executive Agency

In 2021, DG GROW supervised the Executive Agency EASME as lead parent DG until 31 March 2021. As of 1st April 2021, the newly created EISMEA was established. The preparation of the Annual Activity Report (AAR) of EISMEA was supervised by DG GROW in the frame of the Steering Committee.

In its capacity of parent DG⁸, DG GROW supervises the control system⁹ of EISMEA in the context of their direct delegations as Authorising Officer by Delegation (AOD). DG GROW took note that EISMEA will not insert a reservation regarding the implementation of the legacy COSME programme in its 2021 Annual Activity Report even if the error rate is above materiality. EISMEA lifted the reservation issued in AAR 2020, as the legacy COSME programme meets in 2021 the cumulative criteria to fall below the "de minimis rule". In particular, the reservation is deemed not substantial since the total value of the COSME grants represents less than 5% of the EISMEA's total operational payments (2,66%) and has a financial impact below EUR 5 million (0,40 million). Following the introduction of the reservation in 2020, the action plan with mitigating measures put in place already in the course of 2020, has been continued in 2021 as well. These actions had already a slight positive impact on the multi-annual residual error rate of the programme at the end of 2021 (2.9%¹⁰ vs 2.96% in 2020).

⁸ DG RTD is lead parent DG of EISMEA

⁹ The control systems of the Executive Agencies are similar to those of their parent DGs.

¹⁰ [Ares\(2022\)1281090](#)

DG GROW contributes to EISMEA's operating budget, together with other parent DGs with DG RTD as lead parent DG. The consumption of this budget is duly monitored, and after the final closure of EISMEA's accounts, any surplus is recovered pro-rata by the agency's parent DG.

Overall, DG GROW considers that its supervision of EISMEA is effective and appropriate.

Specialised Union bodies

In line with the Financial and Administrative Framework Agreement (FAFA) between the EU and the European Investment Fund (EIF), the COSME Delegation Agreement (DA) entrusts budget implementation of the COSME financial instruments to the EIF. The DA covers the implementation of the two financial instruments under COSME, i.e. the Loan Guarantee Facility (LGF) and the Equity Facility for Growth (EFG).

Controls during the implementation of the COSME financial instruments relate to the selection of financial intermediaries, fund allocation between the LGF and the EFG, remuneration of the EIF, assessment of the effectiveness and efficiency of the internal control systems as well as the follow-up of any observations by internal or external auditors. The reader is referred to Annex 6 Relevant Control System template (RCS) on Financial Instruments for details on the control strategy.

Ex-ante controls and regular monitoring are ensured all over the year by the operational units in DG GROW.

Based on the Declarations of Assurance on both financial instruments and the respective reports on audits and controls, which are submitted by the EIF, DG GROW has reasonable assurance in all material aspects that the EU funds delegated to EIF are used for the intended purposes, including regarding legality and regularity. DG GROW also considers that the operational and financial reporting requirements set out in the COSME Delegation Agreement provide sufficient and relevant information and figures to ensure sound and efficient management of the policy aspects of these financial instruments.

Procurement

Procurement under direct management represents 16 % of the total 2021 DG GROW payments. The payments made in 2021 on own procurement amount to 48 MEUR.

The Relevant Control System template (RCS) n°3 for procurement in Annex 6 demonstrates how the control system in place in the Directorate-General addresses the risks related to this type of expenditure.

In 2021, 17 contracts with a value exceeding EUR 60,000 were awarded directly by DG GROW, representing a total contract value of EUR 3,5 million. Only one procurement was awarded based on a negotiated procedure without prior publication for 120 KEUR (see Annex 3, table 12) .

The procurement procedures applied in DG GROW involve a number of specific controls, which are fully in line with the applicable regulatory requirements. The benefit of these specific controls provides assurance on legality and regularity, transparency, equal treatment and proportionality of the public procurement and mitigates the risk of reputational damage.

Given the low error rate, there are no indication that a higher level of checks and controls would produce any supplementary benefits.

Grants directly managed by DG GROW

DG GROW manages directly both operating and action grants in the policy areas of SME, Tourism and Standardisation. The payments for grants in the Standardisation area represent a 3% of the total DG GROW payments for 2021 while those of SME and Tourism represent 1%.

Audit observations and recommendations

In the year 2021 DG GROW did not have any new or overdue critical or very important IAS audit recommendations or recommendations by the ECA that were affecting its control systems or financial management systems.

ANNEX 8: Specific annexes related to "Assessment of the effectiveness of the internal control systems"

Annex 8 not used by DG GROW (to be provided only if needed)

ANNEX 9: Specific annexes related to "Control results" and "Assurance: Reservations"

Table X : Estimated risk at payment and at closure

DG GROW	'payments made' (2021,MEUR)	minus new prefinancing [plus retentions made] (in 2021,MEUR)	plus cleared prefinancing [minus retentions released and deductions of expenditure made by MS] (in 2021,MEUR)	'relevant expenditure' (for 2021,MEUR)	Detected error rate or equivalent estimates	estimated risk at payment (2021,MEUR)	Adjusted Average Recoveries and Corrections (adjusted ARC, %)	estimated future corrections [and deductions] (for 2021,MEUR)	estimated risk at Closure (2021,MEUR)
-1	-2	-3	-4	-5	-6	-7	-8	-9	-10
Procurement	48.04	- 1.33	2.41	49.13	0.50% - 0.50%	0.25 - 0.25	0.00% - 0.00%	0.00 - 0.00	0.25 - 0.25
Grants (Standardisation)	8.71	- 4.42	6.72	11.01	0.85% - 0.85%	0.09 - 0.09	0.35% - 0.35%	0.04 - 0.04	0.06 - 0.06
Grants (Other)	4.25	- 2.88	2.48	3.85	0.50% - 0.50%	0.02 - 0.02	0.35% - 0.35%	0.01 - 0.01	0.01 - 0.01
Administrative Expenses	3.63	0.00	0.00	3.63	0.50% - 0.50%	0.02 - 0.02	0.00% - 0.00%	0.00 - 0.00	0.02 - 0.02
Sub-delegations to other DGs	2.49	0.00	0.00	2.49	0.50% - 0.50%	0.01 - 0.01	0.00% - 0.00%	0.00 - 0.00	0.01 - 0.01
EIF (COSME Financial instruments)	141.88	0.00	0.00	141.88	0.50% - 0.50%	0.71 - 0.71	0.00% - 0.00%	0.00 - 0.00	0.71 - 0.71
EUIPO (SMP)	1.00	- 1.00	0.00	0.00	0.00% - 0.00%	0.00 - 0.00	0.00% - 0.00%	0.00 - 0.00	0.00 - 0.00
ECHA (Subsidy and Contribution Agreement)	65.22	- 65.22	62.35	62.35	0.50% - 0.50%	0.31 - 0.31	0.00% - 0.00%	0.00 - 0.00	0.31 - 0.31
UNECE (Contribution Agreement)	0.60	- 0.60	0.00	0.00	0.50% - 0.50%	0.00 - 0.00	0.00% - 0.00%	0.00 - 0.00	0.00 - 0.00
Total without contribution to EA's operating budget	275.83	- 75.45	73.96	274.33		1.41 - 1.41	0.02% 0.02%	0.05 - 0.05	1.36 - 1.36
					Overall risk at payment in %	0.51% - 0.51% (7) / (5)		Overall risk at closure in %	0.50% - 0.50% (10) / (5)
EISMEA	22.92	- 13.07	46.94	56.78	0.50% - 0.50%	0.28 - 0.28	0.00% - 0.00%	0.00 - 0.00	0.28 - 0.28
Sub-total contributions (if more than one)	22.92	- 13.07	46.94	56.78		0.28 0.28		0.00 0.00	0.28 0.28
Total DG (with contributions to EAs)	298.74	- 88.52	120.89	331.12					

Notes to the table X

- Relevant Control Systems differentiated per relevant portfolio segments and at a level which is lower than the DG total
- Payments made or equivalent, e.g. expenditure registered in the Commission's accounting system, accepted expenditure or cleared pre-financing. In any case, this means after the preventive (ex-ante) control measures have already been implemented earlier in the cycle.
- New pre-financing actually paid by out by the department itself during the financial year
- Pre-financing actually cleared during the financial year
- For the purpose of equivalence with the ECA's scope of the EC funds with potential exposure to legality & regularity errors (see the ECA's Annual Report methodological Annex 1.1), our concept of "relevant expenditure" includes the payments made, subtracts the new pre-financing paid out and adds the pre-financing actually cleared during the FY. This is a separate and 'hybrid' concept, intentionally combining elements from the budgetary accounting and from the general ledger accounting.
- In this column, we disclose the detected error rates or equivalent estimates - for low-risk types of expenditure, where there are indications that the equivalent error rate might be close to 'zero', it is nevertheless recommended that 0.5% be used as a conservative estimate.
- Estimated risk at payment which is calculated on the basis of the error rate (column 6) applied on the relevant expenditure (column 5)
- The adjusted average recovery and corrections percentage is based on the 7 years historic Average of Recoveries and financial Corrections (ARC). This is the best available indication of the corrective capacity of the ex-post control systems implemented by the DG over the past years. It is received from the central services and amounts to 0.35% for 2021. For some expenditure, the AOD decided to apply 0.0% instead of 0.35% as a conservative approach.
- For some programmes with no set *closure* point and for some multiannual programmes for which corrections are still possible afterwards, all corrections that remain possible are considered for this estimate.
- Estimated risk at closure which represents the difference between the estimated risk at payment (column 7) and the estimated future corrections (column 9)

ANNEX 10: Reporting – Human resources, digital transformation and information management and sound environmental management

Human Resources

Objective: DG GROW employs a competent and engaged workforce and contributes to gender equality at all levels of management to effectively deliver on the Commission’s priorities and core business		
Indicator 1: Number and percentage of first female appointments to middle management positions		
Source of data: Commission Decision SEC(2020)146 of 1 April 2020		
Baseline (01/01/2019)	Target (2022) + (2024)	Latest known results (2021)
44% (19 out of 43)	2022: 4 first female appointments 2024: still to be defined	3 first female appointments in 2021 – 4 in total since target set
Indicator 2: DG GROW staff engagement index		
Source of data: Commission staff survey		
Baseline (01/01/2018)	Target (2024)	Latest known results (2021)
68%	78%	71%

Main outputs in 2021:			
Description	Indicator	Target	Latest known results
Increase number of female AD colleagues in functions leading to middle managerial positions and providing opportunities to appointed female managers to exercise higher level senior managerial responsibilities	Number of female Deputies to Directors Number of female Deputy Heads of Unit	50% female Deputy to Director 50% female Deputy Head of Unit	Female Deputy to Directors (5 out of 9 (55%)) Female Deputy Heads of Unit (17 out of 33 (52%))
Sound environmental management: Promotional measures to reduce the related day-to-day impact of the DG	Number of environmental awareness actions via internal communication or events	At least 10 awareness actions by the end of 2021	2 or 3 actions per week to promote EMAS event via daily news emails or posts on Intranet

Description	Indicator	Target	Latest known results
Continue promoting internal mobility and flexible staff allocation	<ul style="list-style-type: none"> Statutory staff vacancy rate External budget execution Number of successful internal publications Number of staff changing tasks (change in job descriptions) □ Number of FTA's shared in directorates	Keep statutory staff vacancy rate < 2% External budget execution close to 99% 1:2 ratio on number of internal publications : number of Sysper publication	The number of internal publications was high due to the lack of officials' mobility mainly during the second half of the year. Budget execution was not achieved due to foreseen cut in the budget for 2022
Increase Contract Agent and specialist profiles pools	Increase of number of contract agents of function group IV Finalizing the organised specialist competition and envisage additional channels for sourcing, i.e. LinkedIn calls for contract agents and temporary agents.	<ul style="list-style-type: none"> +12 reconversions of contract agents CA III to function group IV Finalise the specialist competition (chemists) At least 10 new job posting in the new channels identified (LinkedIn) and used for external recruitment (officials and CA)	Chemist competition is ongoing with EPSO. <ul style="list-style-type: none"> New channels of job posting were investigated but an assessment on the efficiency of connected procedures have been developed. DG GROW decided that it was not efficient to pursue further this objective
Promote virtual and e-learning opportunities for colleagues (i.e. webinars, e-learning modules)	Number of trainings followed by GROW staff	10% of trainings focussed on new tools, such as Teams and SharePoint	2226 online course sessions followed by 605 GROW colleagues. 366 colleagues passed trainings on new tools (in particularly Teams), that is 16,4%.
Implement the already designed career path for Senior Experts and Senior Assistants in promoting an expert career as an alternative to the management career.	Setting up	Steering group of experts between DGs based on the actual population of SE and SA in DG GROW.	<ul style="list-style-type: none"> In the 2021 exercise, one colleague stepped down from the DHoU position and was appointed senior expert thanks to the expertise on a specific field. This is the result of the promotion of the SE career as an alternative career to the management one.

Internal communication

In the course of 2021, the Internal Communication team continued in improving staff engagement via different channels (emails, intranet posts, audio-visual material). Due to the reorganisation in March, the team put emphasis on increasing knowledge about the

new structure of the DG. All actions were aimed on nourishing GROW internal culture and making colleagues feeling to be a valuable part of GROW community.

The IC team followed up on previous actions:

- DG GROW continues in publishing Weekly newsletter, the product includes DG GROW news as well as news and important information relating to the work of other DGs, central services, HR matters and trainings. GROW Weekly newsletter aims to provide both business and leisure content, ensuring that colleagues receive the latest news and updates relevant to their work, HR and well-being matters from GROW and beyond. In the GROW Weekly newsletter, we also promote the newsletters produced by GROW Units (Digital weekly, Economic briefing, etc.)
- Internal Communication prepares also GROW Daily Update newsletter where we gather the latest news of the day in section relating to Commission news and press releases, DG GROW intranet content, Twitter section and suggest also tips for digital detox.
- All Staff Meetings are monthly DG GROW-wide WebEx chats that aim to facilitate information flow and information sharing between staff and Director General Kerstin Jorna.
- DG GROW is currently using mainly MyGrowth as an internal communication platform. While some Units still prefer to continue their collaboration via GROWnet (CONNECTED). DG GROW's intranet is highly active and dynamic tool of internal communication, updated and maintained on daily basis. We use MyGrowth to inform on upcoming initiatives, to share messages and praise achievements.
- In 2021, we launched GROWtalks initially aiming to present new roles of Directorates after the reorganisation. The events were well received and currently we continue with the platform introducing policy efforts. We also co-organise them with different DGs.
- To highlight achievements of DG GROW colleagues internally, we draft posts or emails and then distribute the information via our internal communication channels to all staff. We also have a close cooperation with Commission en Direct that we frequently use in order to promote our actions to wider Commission public.
- In 2021, we recognised a big interest in photo competition. We launched four editions and promoted the best photos.
- To nurture culture of DG GROW, the internal communication team suggested a visual dedicated only to the DG and to be used for internal purposes only, produced mugs with the visual and many other actions. We also published the GROW 2021 Yearbook.
- There also plenty occasions to organise internal DG GROW events with different themes: Saint-Nicolas, Fit 4 Purpose and so forth.

Digital transformation and information management

Objective: DG GROW is co-creating and maintaining innovative, trusted digital solutions for better policy-shaping and information management to forge a truly digitally transformed, user-focused and data-driven Commission

Indicator 1: Degree of implementation of the digital strategy principles by the most important IT solutions (ICSMS, IMI, SDG)

Source of data: DG GROW data

Baseline 2021 – System	Target 2024	Latest known results 2021
ICSMS	2	1.1
TRIS	2	1.3
SDG	2	1.7

Indicator 2: Percentage of DG GROW’s key data assets for which corporate principles for data governance have been implemented

Source of data: DG GROW data

Baseline 2019	Target 2024	Latest known results 2021
25%	90%	70%

Indicator 3: Percentage of staff attending awareness raising activities on data protection compliance

Source of data: EU Learn and in-house information sessions attendance

Baseline 2018	Target 2024	Latest known results 2021
5%	100%	74%

Main outputs in 2021:

Description	Indicator	Target	Latest known results
Data for Single Market Policies: - New data analytics projects and services - Community of practice (CoP)	<ul style="list-style-type: none"> Number of new data analytics projects and services offered/delivered to the user. Number of active members and contributors of the CoP, number of initiatives launched/shared. 	<ul style="list-style-type: none"> Launch of at least 3 projects/services using innovative technologies and new sources of data analytics by end 2021 Activate and expand the CoP 	<ul style="list-style-type: none"> Projects completed: POSTA, eCertis, TAXUD Trade Launch of RRF Monitoring Project Activation of DG GROW data network with ambassadors in all units

Description	Indicator	Target	Latest known results
Full alignment with the corporate security risk management standards.	<ul style="list-style-type: none"> Share of systems with compliant security plans. Awareness campaign to ensure System Owners are aware of their responsibilities according to the EC IT security guidelines. 	<ul style="list-style-type: none"> Rate of compliance is evaluated. Measures to fully align are put in place 100% compliance rate 	<p>90% compliance for systems in production</p> <p>75% compliance for awareness action (involvement of System Owners and Business Managers)</p>
Phasing out of ColdFusion legacy systems	<ul style="list-style-type: none"> Number of legacy systems migrated to alternative technology. 	<ul style="list-style-type: none"> 6 systems migrated by end 2021 	<ul style="list-style-type: none"> 1 migrated by end 2021 (Cosing), 5 ongoing
<p>Strengthening compliance with standards of data management and governance:</p> <ul style="list-style-type: none"> Implement Data Management Guidelines of 2020 New guidelines for data-driven development of GROW information systems. 	<ul style="list-style-type: none"> % of key data assets for which corporate principles for data governance have been implemented Share of assets/projects screened for compliance and share of assets/projects in compliance with the guidelines. Guidance finalised. 	<ul style="list-style-type: none"> Increase of the percentage Finalisation and introduction of data driven process for application development by the end of 2021. 	<ul style="list-style-type: none"> 70% compliance for principles 50% of data assets screened Awareness activities on data management for staff and management GROW contribution to EC Data Catalogue and inventory of other statistics updated Assessment of needs and possible actions with all GROW data ambassadors Draft data-driven development guidelines produced
Increase awareness of DG GROW staff on personal data protection rules and procedures.	<ul style="list-style-type: none"> % of senior management attending awareness activities. % of middle management attending awareness activities. % of other staff attending awareness activities. 	<ul style="list-style-type: none"> Senior management: 50%. Middle management: 50%. Other GROW staff: 40%. 	<ul style="list-style-type: none"> 64% 81% 74%

Description	Indicator	Target	Latest known results
Improve monitoring of compliance with data protection procedures.	<ul style="list-style-type: none"> • Mapping of processing operations, records, privacy statements (due) and Units contact points. • % of Units inventories. 	<ul style="list-style-type: none"> • Mapping finalised by end 2021. • Number of Units inventories prepared. 	<ul style="list-style-type: none"> • 100% - 29 records reviewed and updated; 128 privacy statements reviewed and validated <p>39% - low number is a consequence of the 2021 GROW reorganisation</p>

ANNEX 11: Implementation through national or international public-sector bodies and bodies governed by private law with a public sector mission (if applicable)

Not applicable

ANNEX 12: EAMR of the Union Delegations (if applicable)

Not applicable

ANNEX 13: Decentralised agencies

European Chemicals Agency (ECHA)

DG GROW is the main partner DG of the European Chemicals Agency (ECHA) in close cooperation with other DGs (DG ENV, DG SANTE, DG EMPL, DG NEAR and DG RTD).

DG GROW is responsible for the REACH and CLP regulations alongside DG ENV. It takes care of budgetary and administrative matters related to ECHA as well as the EU Observatory for Nanomaterials (EUON) and EU Chemicals Legislation Finder (EUCLEF).

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 implementing the duties under its remit 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, 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

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

Agency	Policy concerned	DG GROW payments to Agency in 2021 (in € million)	
		Subsidy*	Entrusted amount**
ECHA	Chemicals – implementation of REACH and CLP Regulations	63.6 (including 1.7 EFTA contribution)	1.6

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

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

Entity: European Chemicals Agency.....		
Role of DG: Parent DG.....		
Policy area concerned	Contribution to the Operating (administrative) budget	Contribution to the Operational Budget
03 10 01 - European Chemicals Agency — Chemicals legislation	53.5	10.1

NB. ECHA budget consisted of an annual EU contribution (70.5% of total budget in 2021) and fees and charges paid by undertakings.

In accordance with the REACH Regulation (No 1907/2006), ECHA is financed through fees paid by undertakings and by an EU balancing subsidy. A balancing subsidy of EUR 63.5 million was paid to ECHA in 2021. This amount includes EFTA contribution of EUR 1.7 million.

At the end of 2021, ECHA had 604 staff (TA, CA and SNE) for all its activities (511 staff for REACH/CLP) and an expenditure of EUR 93.8 in commitment appropriations and EUR 94.1 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 Environmental and consumers NGOs.

The other bodies of the Agency are the Member State Committee (MSC), the Committee for Risk Assessment, the Socio- Economic Analysis Committee (SEAC), the Biocidal Products Committee (BPC) and the Forum of national enforcement authorities. The Agency has also a Board of Appeal responsible for deciding on appeals lodged against certain decisions of the Agency taken under the REACH Regulation and the Biocidal Products Regulation.

Supervision mechanism

The DG GROW unit in charge of REACH had 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. In 2021 and due to the pandemic, weekly virtual meetings were organised with the senior management of the Agency and stakeholder units from the partner DGs (GROW, ENV and SANTE) to monitor the implementation of the work programme and exchange views on measures taken by both the Commission and the Agency to mitigate the impacts of the pandemic.

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

- DG GROW Director of Ecosystems I: Chemicals, food, retail is a member of ECHA's Management Board (MB) as one of the three Commission representatives. She is also member of two MB Subgroups and is represented in the meetings by persons of trust from DG GROW unit in charge of REACH and in line with the rules of procedure of ECHA Management Board:
 - MB Subgroup for Strategic Planning and Implementation
 - MB Subgroup for Finance, Audit and Risks
- Participation as observers to the bodies of the Agency:
 - Member State Committee (MSC)
 - Committee for Risk Assessment (RAC)
 - Committee for Socio-economic Analysis (SEAC)
 - Forum for Exchange of Information on Enforcement (FORUM)
 - 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 2020 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 2021

Besides the participation in the governance bodies listed above, DG GROW supervised the following ECHA's activities in 2021:

- *Budget of the Agency – procedure for the Draft Budget 2022*
 - 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) 2022-2024*
 - contributed to the preparation of the SPD 2022-2024. The Commission also issued an opinion¹¹ on the SPD in July 2021.
- *Discharge 2019 - 2020*
 - followed up the discharge for financial year 2019 and 2020;
- *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*
 - Drafted and adopted decision in relation to the implementing rules of the Staff Regulation in decentralised agencies.
 - Launched and closed the selection procedure for the Legally Qualified member 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 the REACH Regulation.
- *New contribution agreements*
 - Signature of two new contribution agreements in 2021: European Union Observatory for nanomaterials (EUON) and European Union Chemicals Legislation Finder (EUCLEF).

These agreements enable the European Chemicals Agency to continue its support to the Commission's efforts to increase the availability, in particular to SMEs, of reliable information on 1) the presence and properties of nanomaterials on the EU market (via EUON) and 2) the obligations for producers and users of chemicals stemming from the relevant pieces of the EU legislation on chemicals (via EUCLEF).

¹¹ C(2020) 6643 final

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 2021 the IAS performed an in-depth risk assessment of the ECHA leading to the issuance of the 2022-2024 Strategic Internal Audit Plan (SIAP) for the Agency on 26/10/2021¹².

In 2021, the Internal Audit Capability of ECHA carried out assurance audits on

- Agency wide Implementation of Planning, Reporting and Monitoring Process in order to achieve SPD objectives
- Biocidal Active Substances Approval (under review programme)
- Identification and Evaluation of Environmental Aspects at ECHA

In 2021, the Internal Audit Capability of ECHA carried out follow up audits on:

- Harmonised Classification and Labelling
- Application for authorisation

Actions plans have been put in place and their implementation is supervised by the Management Board through its Subgroup Finance, Audit and Risks.

European Union Intellectual Office (EUIPO)

The European Commission is responsible for initiating legislative proposals on the process and procedures for registering and enforcing EU intellectual property rights. It is also responsible for ensuring that these measures are properly implemented and providing guidance to the Member States.

The European Union Intellectual Property Office (EUIPO) manages the European Union trade mark and the community design systems (receiving, examining and deciding on applications for the registration of trade marks and designs as well as keeping public records of such rights, their proprietors, etc.). In addition, EUIPO ("the Office") facilitates the activities of national authorities, the private sector and the Union institutions in the fight against infringements of the intellectual property rights. The Office is governed by Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark ("the Regulation").

The EUIPO also cooperates with the EU's national and regional intellectual property (IP) offices, which are responsible for registering national trademarks and designs. In addition, the European Observatory on Infringements of Intellectual Property Rights (the

¹² Strategic Internal Audit Plan (SIAP) for ECHA issued by IAS, Ares(2021)6586413

Observatory), which is under the aegis of the EUIPO, carries out a wide range of tasks concerning research, awareness raising, dissemination of best practice, and support for the enforcement of all types of IPR. To support the fight against counterfeiting and piracy, Europol¹³ and the EUIPO joined forces in 2016 to create the Intellectual Property Crime Coordinated Coalition, which operates within Europol.

On 1 January 2021, the Commission and the EUIPO launched the SME Fund, which offers financial support for SMEs impacted by the COVID-19 crisis, with the objective to help them manage their IP portfolios. The action covered partial reimbursements for trademark and design registration and for IP scan.

The first edition of the EU SME Fund, an IP voucher scheme for SMEs was included in the revised 2020 COSME work programme with financial support of EUR 19,800,000 from EUIPO from its legacy surplus. The Commission's contribution was EUR 200,000. The SME Fund had a total budget of EUR 20,000,000. These vouchers partially refunded costs incurred by SMEs for IP-pre-diagnostics services, trade mark and design registration fees. In 2021, 12,989 SMEs from all 27 Member States were supported under this scheme and a total of 28,065 services were provided to them. This has exceeded the SME Fund's target of 8 000 EU SMEs applying for the financial aid in 2021.

On 10 January 2022, a second edition of the SME Fund was launched, which is multiannual and will run until the end of 2024. Beyond the services offered in 2021, it also reimburses national patent registration fees and international trademark and design registration fees.

In addition, the Commission has financed four international IP SME Helpdesks (China, Latin America, South-East Asia, India) under the COSME/SMP budget – EUR 6 million – and the EU IP Helpdesk (now under RTD/Horizon Europe).

The EUIPO assists the Commission also with regard to other initiatives set out in the 2020 EU Intellectual Property Plan [Making the most of the EU's innovative potential. An intellectual property action plan to support the EU's recovery and resilience (COM/2020/760 final)]. In particular, it has been providing technical expertise concerning the modernization of the EU legislation on industrial designs, the initiative on an EU protection system for non-agricultural geographical indications as well as the establishment of an EU Toolbox against counterfeiting setting out principles for joint action, cooperation and data sharing among right holders, intermediaries and law enforcement authorities.

The IP SME Helpdesks assist EU SMEs and beneficiaries of EU-funded programmes in dealing with IP matters, monitor national IP policies and legislation, provide IP advice and partnering services to SMEs, raise awareness of the value of IP and direct SMEs to reliable professionals in third countries.

In November 2021, the European Commission (DG RTD), the European Innovation Council (EIC), the SMEs Executive Agency (EISMEA) and the EUIPO signed a letter of intent for co-operation on intellectual property (IP) management.

¹³ The European Union Agency for Law Enforcement Cooperation

This is a commitment to develop a process of co-operation towards closer collaboration between the parties in actions related to IP management. This will support directly the European Research Area objective to translate results into the economy, ensuring market uptake of research output and Europe's competitive leadership in technology.

Finally, the ECA has been conducting a "performance audit" on Intellectual Property to assess whether IP rights are well-protected within the single market. The European Commission and the EUIPO have participated in the audit providing explanations to various questions of the ECA audit team.

European Medicines Agency (EMA)

The European Medicines Agency (EMA) is a decentralised agency of the European Union (EU) responsible for the scientific evaluation, supervision and safety monitoring of medicines in the EU.

EMA is governed by an independent Management Board. Together with DG SANTE, DG GROW participated as Commission representative from 19/03/2020 till 17/05/2021 in this Board responsible for ensuring that the Agency works effectively and co-operates successfully with partner organisations across the EU and beyond.