



European
Commission

Annual Activity Report 2023

EUROPEAN INNOVATION COUNCIL AND
SMEs EXECUTIVE AGENCY (EISMEA)

Contents

- Contents 2
- EISMEA IN BRIEF..... 4
- EXECUTIVE SUMMARY 6
 - A. Implementation of the Agency’s Annual Work Programme – Highlights of the year... 6
 - B. Key performance indicators..... 8
 - C. Key conclusions on internal control and financial management (executive summary of section 2) 9
 - D. Provision of information to the Commissioner(s)..... 9
- 1. Implementation of EISMEA’s Annual Work Programme – Highlights of the year10
 - Horizon Europe10
 - European Innovation Council (EIC)11
 - EIC Programme Managers.....11
 - EIC Board.....12
 - EIC Pathfinder.....12
 - EIC Transition13
 - EIC Accelerator13
 - EIC Prizes.....15
 - EIC Community and Business Acceleration Services16
 - Other EIC Actions.....17
 - EIC Communication Actions.....18
 - European Innovation Ecosystems (EIE).....18
 - Single Market Programme.....19
 - Consumer pillar of the Single Market Programme20
 - SME pillar of the Single Market Programme.....21
 - Internal Market and support to standardisation22
 - European Regional Development Fund (ERDF)23
 - Interregional Innovation Investments (I3) Instrument.....23
 - InvestEU Programme24
- 2. INTERNAL CONTROL AND FINANCIAL MANAGEMENT.....25
 - 2.1. Control results26
 - 2.1.1. Effectiveness of controls.....30
 - 2.1.2. Efficiency of controls.....40

2.1.3. Economy of controls.....	41
2.1.4. Conclusion on the cost-effectiveness of controls.....	42
2.2 Audit observations and recommendations.....	42
2.3 Assessment of the effectiveness of internal control systems.....	43
2.4 Conclusions on the assurance.....	45
2.5 Declaration of Assurance	47
3 MODERNISING THE ADMINISTRATION.....	48
3.1 Human resource management.....	48
3.2 Digital transformation and information management	50
3.3 Sound environmental management.....	51
3.4 Examples of economy and efficiency	51

EISMEA IN BRIEF

The European Innovation Council and Small and Medium-sized Enterprises Executive Agency (EISMEA) was established on 1 April 2021 ⁽¹⁾. With a focus on innovation and the single market, it creates strong synergies to support the recovery, strengthening and twin transition of the European economy. The agency has been entrusted with the implementation of the following (parts of) Union programmes:

- Horizon Europe, pillar III: the European Innovation Council (EIC) and European Innovation Ecosystems (EIE);
- European Regional Development Fund: Interregional Innovation Investments (I3) Instrument;
- Single Market Programme: SME Pillar; Internal market; support to standardisation; and Consumers.

By implementing these programmes and the specific delegated tasks ⁽²⁾, the Agency contributes to reaching the European Commission's objectives of a European Green Deal and a Europe fit for the digital age, hence contributing to its open strategic autonomy.

EISMEA's mission is to provide high quality support to European innovators, researchers, businesses, regions and consumers. The agency aims to reinforce the European Union's position as a global leader in Research and Innovation, strengthen its Single Market, open up opportunities for SMEs and maintain high standards of protection for its citizens towards a more competitive, digital, green and inclusive EU. Its work is underpinned by six core values: client orientation, excellence, innovation, integrity, respect and transparency.

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

EISMEA operates under the supervision of the Commission: it reports to the Directors-General of the parent Directorates-General (DGs) and to the Steering Committee, on the performance of the tasks assigned to the Agency. EISMEA implements delegated tasks in close cooperation with its five parent DGs ⁽³⁾.

Following the Commission Decision on the restructuring of the EIC Fund ⁽⁴⁾ and clarification of tasks delegated in relation with financial instruments and support to the European Innovation Council Board, ⁽⁵⁾ EISMEA's re-organisation entered into force on 16 December 2023.

⁽¹⁾ COMMISSION IMPLEMENTING DECISION (EU) 2021/173 of 12 February 2021

⁽²⁾ As outlined in Article 4 and annexes of Commission Decision C(2021)949 final

⁽³⁾ DG Research and Innovation (DG RTD), DG Communications Networks Content and Technology (DG CONNECT), DG Internal Market, Industry, Entrepreneurship and SMEs (DG GROW), DG Justice and Consumers (DG JUST), and DG Regional and Urban Policy (DG REGIO)

⁽⁴⁾ Commission Decision C(2023)8183

⁽⁵⁾ Commission Decision C(2023) 4256 final of 29.06.2023

EISMEA



From ideas to global markets: **Innovation made in Europe**

EISMEA IN NUMBERS



Established

1 April 2021



Mandate

2021-2027

5

Parent DGs

RTD, CNECT, GROW, REGIO, JUST

Implements parts of **3 programmes**:

- **Horizon Europe**: European Innovation Council (EIC) and European Innovation Ecosystems (EIE)
- **Single Market Programme (SMP)**: Consumer Objective, SME Pillar and Internal Market & Support to Standardisation
- **European Regional Development (ERDF)**: Interregional Innovation Investments (I3) Instrument

Responsible for managing:

2600 projects

EUR 2.6 billion of EU funds

Responsible for selecting:

99 companies that will receive

up to EUR 687 million of investments



SUPPORTING UKRAINIAN BUSINESS & INNOVATION

★ **European Innovation Council:**

20M in grants

for Ukrainian Tech SMEs



★ **Erasmus for Young Entrepreneurs:**

500 Ukrainian new entrepreneurs

to join exchange scheme

★ **Enterprise Europe Network:**

Third party funding for

Ukrainian SMEs accessing the single market



★ **Translation** of harmonised standards into Ukrainian



OUR WORKING ENVIRONMENT



346
staff



42%
men



58%
women



Average
age **47**



25
nationalities



WORKSHOPS
from EIC Programme
Managers

Online
**INSPIRATIONAL
SPEAKERS**



**INNOVATION AT
THE HEART OF EISMEA**



Round Table
DISCUSSIONS

**COMPANY
VISITS** for staff



IDEA LAB



EXECUTIVE SUMMARY

This annual activity report is a management report of the Director of EISMEA to the College of Commissioners. Annual activity reports are the main instrument of management accountability within the Commission and constitute the basis on which the College takes political responsibility for the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the Treaties ⁽⁶⁾.

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

In 2023, EISMEA delivered crucial support towards the development and scaling up of SMEs with breakthrough and disruptive technologies, supporting key policy priorities of the Commission.

As part of the [Commission's response to Russia's war of aggression against Ukraine](#), EISMEA took action across its programmes to enable the continuation of Ukrainian business and innovation. Notably, the EIC Ukrainian tech call provided EUR 20 million in grants to support Ukrainian innovative tech SMEs. To help ensure Ukrainian access to the Single Market, Erasmus for Young Entrepreneurs prepared to integrate 500 Ukrainian new entrepreneurs into their exchange scheme, the Enterprise Europe Network (EEN) provided third-party funding to Ukrainian SMEs intending to trade or operate in the Single Market and EISMEA supported the translation of harmonised standards into Ukrainian.

Reinforcing the Commission's [REPowerEU Plan](#), EIC Accelerator and Pathfinder launched Challenges to stimulate innovation in areas such as energy storage, clean and efficient cooling and in-space solar energy harvesting. The EIC's European Social Innovation Competition focused on fighting energy poverty, attracting 40 innovative solutions. EEN organisations began supporting SMEs in their efforts to improve their energy efficiency - offering direct financial support to eligible SMEs of up to EUR 10 000.

Supporting the Commission's [New European Innovation Agenda](#) (NEIA), for the first time EISMEA launched parallel calls in two complementary programmes (European Innovation Ecosystems and the I3 instrument). With a common aim to support the creation of European Regional Innovation Valleys, the calls attracted numerous proposals, including from an increasing number of less developed regions.

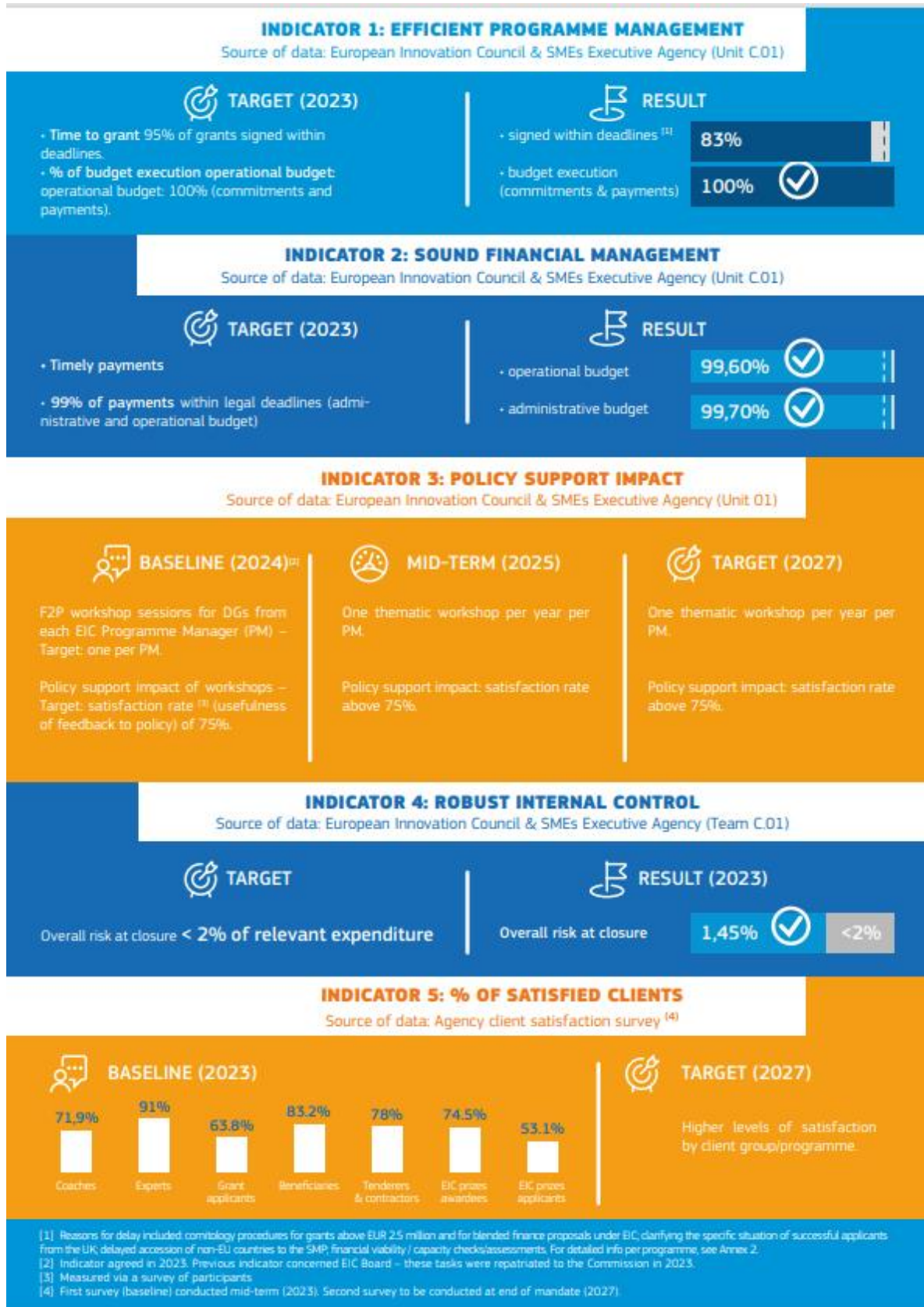
Complementing EISMEA's programme implementation, the EIC's ten Programme Managers provided hands-on support to EIC projects, including the development of strategic plans for portfolios of projects in strategically important areas such as green hydrogen production. In addition, they shared their expertise and perspectives on emerging trends in the [EIC Tech](#)

⁽⁶⁾ Article 17(1) of the Treaty on European Union.
eismae_aar_2023

[report](#) as well as through workshops for relevant Commission services, providing an important source of knowledge to help inform policymaking for the years to come.

Communication across EISMEA's programmes achieved tangible results. An EIC communication campaign in widening countries generated a significant increase in applications from the targeted countries as well as increased visits to the EIC websites. EISMEA also supported the Commission's communication on the 30th anniversary of the Single Market, bringing the messages of its benefits and achievements to Europe's SME communities via local events and national actions organised by EEN Partners.

B. Key performance indicators



C. Key conclusions on internal control and financial management (executive summary of section 2)

In line with the Commission's Internal Control Framework EISMEA has assessed its internal control system during the reporting year and has concluded that it is effective and the components and principles are present and functioning well overall, but some improvements are needed related to ICP 1, 3, 4, 5, 9 and 14. Please refer to annual activity report section 2.3 for further details.

In addition, EISMEA has systematically examined the available control results and indicators, as well as the observations and recommendations issued by the internal auditor and the European Court of Auditors. These elements have been assessed to determine their impact on management's assurance about the achievement of the control objectives. Please refer to section 2 for further details.

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

The Director, in his capacity as Authorising Officer by Delegation, has signed the Declaration of Assurance.

D. Provision of information to the Commissioner(s)

In the context of the regular meetings during the year between the Director and the parent DG(s) on management matters, the main elements of this report and assurance declaration have been brought to the attention of the agency's Steering Committee and to the parent DGs Directors General.

1. Implementation of EISMEA's Annual Work Programme – Highlights of the year

The Agency's 2023 Annual Work programme (AWP) was adopted by European Commission on 15 November 2023 and by the Agency's Steering Committee on 27 November 2023. The work programme lists the main activities and outputs of the Agency that contribute to the achievement of the objectives as defined by its parent DGs. Key achievements under the different programmes delegated to the Agency are highlighted below. The reliability of the performance information is ensured in line with the European Commission's corporate criteria on the reliability of performance information, which includes the principles established in the 'Data governance and data policies at the European Commission' and the memoranda of understanding established between EISMEA and its parent DGs. Controls in this regard did not reveal any significant issues. Exhaustive reporting on the achievement of the targets as planned in the AWP can be found in annex 2.

Complementing its programme implementation, EISMEA supported its five parent DGs by providing structured feedback to policy (F2P) to across four areas. Highlights included:

Feedback on programme implementation: regular reporting on call evaluation results, synthesis reports on call implementation and - for the Single Market Programme (SMP) - country fiches on programme participation.

Input on programming: proposing new actions (such as topics for EIC Challenges), assisting in the drafting of work programmes and – for Horizon Europe clusters Work Programme 2025 - providing input into the programming process.

Contribution to EU policymaking: EIC Programme Managers provided an annual series of dedicated F2P workshops, reaching parent DGs as well as wider relevant Commission services. Across programmes, EISMEA regularly identified and provided the Commission with project results relevant for specific policy areas (such as climate and sustainability).

Ad-hoc input the Agency completed a database of success stories to enhance policy communication, enabling quick access to relevant information on outstanding projects.

Horizon Europe

As part of the [Horizon Europe](#) programme's pillar 3 (Innovative Europe), the agency implements actions under **European Innovation Council** and **European Innovation Ecosystems**.

By implementing these actions EISMEA supports the development and scaling-up of SMEs with breakthrough and disruptive technologies and helps make sure that Europe's open strategic autonomy is ensured in critical technology areas. It also helps to create an ecosystem where innovative solutions can be created and supported in their growth. As such, EISMEA contributes

to the European Commission's objectives of A Europe fit for the Digital Age and An Economy that Works for People.

European Innovation Council (EIC)

The EIC aims to support the rapid scale up of innovative technologies and companies (mainly start-ups and SMEs) at EU and international level along the pathway from ideas to market. It is organised into three main funding schemes: the **EIC Pathfinder** for advanced research to develop the scientific basis to underpin breakthrough technologies; the **EIC Transition** to validate technologies and develop business plans for specific applications; and the **EIC Accelerator** – including the **EIC Fund** – to support companies (SMEs, start-ups and in exceptional cases small mid-caps) to bring their innovations to market and scale up. In each case, the direct financial support to innovators is complemented with access to a range of **Business Acceleration Services (BAS)**. In addition, the EIC offers a number of **prizes** and other related actions, providing complementary support to promising innovators.

EIC Programme Managers

In 2023, the EIC's 10 [Programme Managers](#) (PMs) made good progress in their pro-active management of EIC portfolios, notably by:

- Preparing [strategic plans](#) with the portfolio projects of the 2021 Pathfinder Challenges
- Kicking-off the portfolio activities of the Pathfinder Challenges from 2022.
- Promoting the Challenges of EIC Work Programme 2023 and selecting the corresponding portfolios of projects.

They also initiated Pathfinder and Accelerator Challenges for the EIC Work Programme 2024 and - for the Pathfinder Challenges - developed the corresponding challenge guides.

The PMs participated in more than 20 corporate days, investor events and fairs, promoting EIC companies to relevant networks. They also provided their perspectives on emerging trends in the EIC portfolio in the [EIC Tech report](#). Each of them gave a "feedback to policy" workshop to relevant Commission services to help inform their policymaking (see above).



The impact of their activities has been shown through increased levels of interest in Pathfinder portfolios from large corporations and engagement with regulatory bodies like the European Medicines Agency that are interested in the novel technologies being developed.

At the end of 2023 a new call for PMs was launched, to recruit replacements for the ones reaching the end of their contract in 2024.

EIC Board

EISMEA provided the secretariat of the [EIC Board](#) until May 2023, when it was transferred to the Commission. Since then, EISMEA has supported the Commission on the overall strategy of the EIC, the EIC work programme, the identification of strategic project portfolios, and the communication strategy of the EIC.

EISMEA assisted the preparatory work for the appointment of the EIC Board for the period 2023-2025, with particular focus on their declarations of interest and contracts.

EIC Pathfinder

The EIC Pathfinder instrument offers grants to achieve proof of principle and validate the scientific basis of breakthrough technology.

Call management: EISMEA successfully launched the Pathfinder Challenges call focused on: clean and efficient cooling; architecture, engineering and construction digitalisation; precision nutrition; responsible electronics; in-space solar energy harvesting. The evaluation of 371 submitted proposals is on schedule to be finalised by March 2024. The work of the selected projects will help ensure Europe's open strategic autonomy in these critical technology areas.

More than 780 proposals were evaluated under the 2023 **EIC Pathfinder Open call**, leading to 61 proposals being selected. In addition, the Horizon Europe **Hop-on Facility** (which aims to add participants from widening countries), saw the selection of 41 proposals originating from EIC Pathfinder.

Programme management: 128 Horizon Europe Pathfinder grants were signed in 2023. For about 40 of the proposals the time to grant deadline of eight months was exceeded. Delays were mainly due to the need to clarify the specific situation of successful applicants from the UK, as well as additional time for comitology procedures (for grants above EUR 2.5 million) and financial viability checks.

EIC Transition

The [EIC Transition](#) instrument funds innovation activities that go beyond the experimental proof of principle in laboratory. It targets research teams, established SMEs and spin-off companies willing to bring closer to the market research results stemming from Horizon 2020 and Horizon Europe eligible projects. Implementing EIC Transition actions supports the development of SMEs with breakthrough and disruptive technologies.

Call management: EISMEA successfully launched the Transition Challenges Call focused on the areas of Micro-Nano-Bio devices for medical and medical research applications; Environmental intelligence; and Chip-scale optical frequency combs. The 46 selected projects will advance the development of breakthrough and disruptive technology in these areas with a high technological and strategic potential. In addition, Transition Open Calls attracted more than 400 proposals of which 46 were selected for funding.

Programme management: In 2023 the proactive monitoring of EIC Transition projects continued. This involved both EIC Programme Managers and Project Officers, who also regularly recommended Tech2Market support services and coaching for project beneficiaries.

2023 also saw Professor Anne L’Huillier – a member of the EIC Transition project [SISHOT](#) – being awarded the 2023 Nobel Prize in Physics. Her work – which has been supported by three [ERC advanced grants](#) and the complementary support of EIC funding – demonstrates how synergies between EIC and European Research Council funding can support groundbreaking research results in their transition to innovation.

EIC Accelerator

The [EIC Accelerator](#) instrument focuses on innovations building on scientific discovery or technological breakthroughs (‘deep tech’) and where significant funding is needed over a long timeframe before returns can be generated (‘patient capital’). Funding and support from the EIC Accelerator are designed to enable such innovators attract the full investment amounts needed for scale up in a shorter timeframe.

To implement the EIC Accelerator, the agency runs continuously open calls as well as specific challenges, targeting key EU policy priorities: including REPowerEU; food security; industrial technology roadmaps; the Health Emergency Response Authority (HERA) and several Horizon Europe Missions.

Call management: In 2023, the EIC Accelerator Open Call attracted more than 3000 short proposals as well as more than 2700 full proposals from 41 countries. Applicants requested close to EUR 18 billion in funding, of which EUR 11.4 billion for equity investments. By the end of the year, 130 companies had been selected for funding from the first three cut-offs. Of this, EUR 304 million was allocated in grants and EUR 501 million in equity. The results of

fourth cut-off will be announced in 2024. While the demand for the Open Call has been consistently strong, the demand for the Accelerator Challenges has been much weaker particularly in the first two cut-offs, due to a number of factors, with the exception of the Challenges for emerging semi-conductors and quantum technologies and for innovative space technologies and services.

Programme management: In 2023, the EIC Accelerator gradually moved its IT platform for proposal submission to the Commission's eGrants platform (SEP). The change in submission system created delays in the evaluation process, as certain tasks needed to be carried out manually. This impacted EISMEA's capacity to meet its time to inform (TTI) target. Since January 2024, all EIC Accelerator calls are now managed in SEP.

As regards the equity component, the EIC Fund Advisory Committee passed 151 investment recommendations prepared by the European Investment Bank as investment adviser of the EIC Fund. EISMEA supported their work by providing information on the grant component. The EIC Fund Investment Committee approved 131 investment recommendations, rejected 12, and recommended to reclassify seven companies into Grant First. The EIC Fund signed 132 investment agreements for a total of EUR 417.9 million and disbursed EUR 375.5 million.

On 4 December 2023, the Commission adopted its Decision on the completion of the restructuring of the European Innovation Council Fund ⁽⁷⁾. This third restructuring Decision ⁽⁸⁾ allows the management of the investment components of the EIC Accelerator in indirect management mode ⁽⁹⁾ as from 1 January 2024. ⁽¹⁰⁾ The adjusted role and responsibilities of EISMEA are reflected in the revised delegation instrument ⁽¹¹⁾ and in the Horizon Europe Memorandum of Understanding⁽¹²⁾. EISMEA conducts the evaluations for selecting potential

⁽⁷⁾ Commission Decision C(2023)8183

⁽⁸⁾ First restructuring Decision (C(2022)2408) launched the process to restructure the EIC Fund into an alternative investment fund to be managed by an alternative investment fund manager. Second restructuring Decision (C(2022)6818) provided for the appointment of Alter Domus Management Company S.A. as the alternative investment fund manager of the EIC Fund and the replacement of Commission representatives on the EIC Fund Board by independent experts.

⁽⁹⁾ As foreseen in Article 11.3 of Council Decision 2021/764 establishing the Specific Programme implementing Horizon Europe.

⁽¹⁰⁾ As per Commission Communication (2023)8222: The move to indirect management as foreseen by the Horizon Europe Council Decision and the Financial Regulation will further distance the Commission from decision making on individual decisions and will thereby further lower any reputational risks.

⁽¹¹⁾ Commission Decision C(2023)4256 of 29 June 2023 amending Decision C(2021)949 of 12 February 2021 delegating powers to the European Innovation Council and SMEs Executive Agency with a view to the performance of tasks linked to the implementation of Union programmes in the field of Innovative Europe, Single Market and Interregional Innovation Investments comprising, in particular, implementation of appropriations entered in the general budget of the Union.

⁽¹²⁾ Memorandum of Understanding of 22/06/2023 between the European Innovation Council and SMEs Executive Agency and DG Research and Innovation, DG Communications Networks, Content and Technology specific provisions for the implementation of Horizon Europe and Horizon 2020.

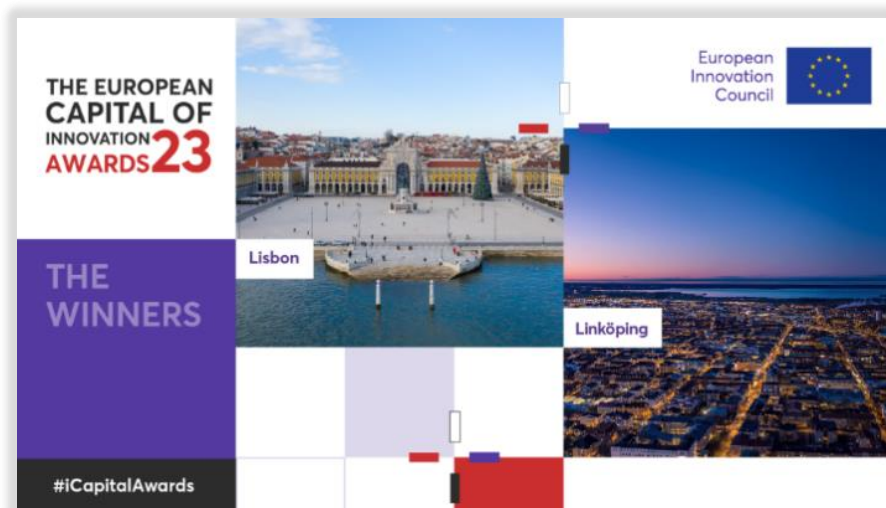
beneficiaries, in accordance with the EIC Work Programme, and is responsible for managing the grant and coordinating grant and investment components.

EIC Prizes

[EIC Prizes](#) are a powerful tool to support and foster innovation. They engage with citizens by recognising innovators from the different angles of the ecosystems. In 2023, EISMEA successfully launched competitions across five strategically important areas of innovation:

The [European Prize for Women Innovators](#) supports the flagship 4 of the New European Innovation Agenda by celebrating talented women entrepreneurs from the EU and countries associated to Horizon Europe, who have founded a successful company and brought innovation to market. In 2023, the EIC teamed up with the European Institute for Innovation and Technology (EIT) to launch a joint prize for women innovators. This new edition attracted a record 330 applications across three categories. The winners (3 in each category to be announced in March 2024) will receive cash prizes ranging from EUR 50 000 to EUR 100 000 for the Women Innovators category and from EUR 20 000 to EUR 50 000 for the Rising Innovators and EIT Women Leadership categories.

The [European Capital of Innovation Awards](#) recognises the role of cities as catalysers of the local innovation ecosystem and stimulates new activities aimed at boosting game-changing innovation. The awards ceremony saw Lisbon crowned as iCapital 2023 and awarded EUR 1



million while Warsaw and Lviv were runners up, winning EUR 100 000 each. Linköping was crowned European Rising Innovative City 2023 and awarded EUR 500 000. Padova and Cork were runners up and awarded EUR 50 000 each.

The [European Innovation Procurement Awards](#) support the flagship 2 of the New European Innovation Agenda by recognising public and private buyers across Europe in their efforts to promote innovation procurement and the innovative ways the solutions are procured. This edition attracted 8 applications across two categories (innovation procurement initiative; and facing societal challenges). Once the evaluation is completed, prizes, up to EUR 75 000, will be awarded in March 2024 to successful applicants.

The 2023 edition of the [European Social Innovation Competition](#) centred on fighting energy poverty. The competition attracted 40 applications proposing solutions to stimulate the potential of social innovation, tackle societal challenges and foster sustainable and inclusive growth. The awards ceremony took place in the context of the European Social Economy Conference and saw three winners awarded EUR 50,000 each. All 15 finalists were invited to attend the Social Innovation Academia (Brussels, 31 January and 1 February 2024).

The [European Prize for Humanitarian Innovation](#) is a new EIC prize that celebrates humanitarian organisations, social enterprises, and companies which are developing technology to deliver better quality assistance to vulnerable people affected by natural disasters and man-made crises such as conflicts. The Prize attracted 58 applications. The winner of the EUR 250 000 award will be announced in March 2024.

EIC Community and Business Acceleration Services

The EIC's [Business Acceleration Services \(BAS\)](#) use the pan-European reach of the EIC to connect beneficiaries with tailor made services to stimulate their development and growth. In 2023 the Agency opened an [online catalogue of 400+ services](#) by 140 selected partners. The catalogue is maintained through a contract that was renewed in 2023 and there was no need to publish an additional call for tender. A call for proposals to select a project providing EIC beneficiaries with financial support to access those services (up to 50% of costs) was closed in November 2023.

In addition, EISMEA manages value-added services such as **access to coaches, tech-to-market activities** and **access to business partners, corporates, innovation procurers and investors**. In this context, three contracts were signed: 1) to enhance EIC beneficiaries' capabilities to take part in [innovation procurement](#) bids 2) to maintain the [EIC Community](#), including the [Women Leadership Programme](#) and 3) to provide EIC beneficiaries access to [international trade fairs](#) - enabling companies to showcase their innovative products in strategic markets. The [Innobuyer](#) project continues to support buyers for piloting with SMEs, and a dedicated call for proposals was closed in November to provide EIC beneficiaries with funding for pilot initiatives with public and private buyers.



Following a Call for Tenders in 2023, a Corporate Partnership programme contract to support matchmaking between EIC beneficiaries and corporate partners is expected to be signed in Q1 2024. The most promising companies will receive scaleup support through the [EIC Scaling Club](#) programme that started in May (an action under the New European Innovation Agenda).

Activities: Eight Corporate and Multicorporate Days were held in 2023 connecting 110 EIC companies with 20 of the largest European corporations. 12 pitching events provided companies with access to investors in areas including, food and beverages, infectious diseases, and climate tech. Three matching events brought together 30 SMEs and public and private procurers of innovation. EISMEA also brought 180 EIC companies to nine international trade fairs including CES, BIO in USA, Gitex in Dubai, Mobile World Congress in Europe and Gastech in Singapore. Two cohorts of Women Leadership Programme were established involving 120 female entrepreneurs and researchers. Participants reported substantial improvements (measured at 32%) in skills. A successful soft-landing pilot in Silicon Valley took place in December, involving 15 EIC beneficiaries with projects in the area of clean technologies.

Other EIC Actions

To support the EIC's core activities as described above and ensure the best possible support for innovative technologies and companies, the agency launched public procurement actions, expert contracts, and grants in number of areas. Key actions for 2023 included:

EIC Ukrainian tech call EISMEA finalised this evaluation and concluded a grant agreement with the selected consortium – Seeds of Bravery. The project has an overall budget EUR 20 million, the majority of which will be distributed as grants to Ukrainian innovative tech SMEs. The consortium launched their first call in December 2023: “Business Consultancy Services for Ukrainian tech start-ups”.

EIC data and IT systems integration EISMEA continued aligning EIC data and IT systems with the Commission's eGrants suite, including the integration of the EIC Marketplace onto the Horizon Europe Results Platform, as well as the successful onboarding of the missing steps of the EIC evaluation process into eGrants. Further details are provided in the EIC Accelerator section above.

Next Generation Innovation Talents This Coordination and Support Action Call attracted three proposals, with the selected project expected to start in Q2 2024. The internship scheme will directly support a key flagship within the New European Innovation Agenda: ‘fostering, attracting and retaining talents.’ It seeks to do so by matching researchers and start-ups funded under specific Horizon Europe programmes, including the EIC.

EIC Communication Actions

Communication campaign in widening countries.

EISMEA promoted EIC funding opportunities by organising local and challenge-specific info days and communication campaigns targeted mostly at the widening countries ([Bulgaria](#), [Czech Republic](#), [Croatia](#), [Serbia](#), [Slovenia](#)). Social media posts, translated in local languages generated a significant increase in visits to the EIC websites as well as applications from the targeted widening countries.

EISMEA also promoted the EIC – including through the presence of EIC funded companies – at major deep-tech events in Europe such as Hello Tomorrow, Sifted, Slush and Web Summit.

As the next EIC Summit event will only take place in March 2024, EISMEA organised a smaller-scale EIC event in June 2023 in cooperation with the Swedish Presidency (see Other EIC Actions above).

EISMEA also developed digital visual and audio-visual communication material ([factsheets](#), animated infographics, [podcasts](#), videos, interviews) promoted primarily via the [EIC website](#) and its social media accounts ([LinkedIn](#) and [Twitter](#)).

European Innovation Ecosystems (EIE)

European Innovation Ecosystems aim to create more connected, inclusive and efficient innovation ecosystems ⁽¹³⁾ that support the scaling of companies and spur innovation to address important challenges in a responsible way. The agency implements calls for proposals and monitors projects in thematic areas, known as “destinations”.

⁽¹³⁾ Definition as per HE Regulation, Article 2 (30): ‘innovation ecosystem’ means an ecosystem that brings together at EU level actors or entities whose functional goal is to enable technology development and innovation. They encompass relations between material resources (such as funds, equipment, and facilities), institutional entities (such as higher education institutions and support services, RTOs, companies, venture capitalists and financial intermediaries) and national, regional and local policy-making and funding entities.



Call management: In 2023, EISMEA finalised the evaluation of calls launched in 2022 aimed at elevating the scalability potential of European business: [Expanding Investments Ecosystems](#) - resulting in the signature of nine grants, and [Women TechEU](#) – resulting in 129 grants. As planned in the [EIE Work Programme 2023-2024](#), EISMEA also launched four calls for proposals representing EUR 160M, including EUR 71M in additional support for the European Partnership on Innovative SMEs.

In addition, EISMEA launched, finalised and signed three calls for tenders for: a new European [IP Helpdesk](#); a study on mapping and scoping of frugal and reverse innovation; and innovative practices in legislation around emerging tech.

Programme management: In 2023 for the first time, EISMEA ran two parallel calls under different complementary programmes with a common aim: to support the creation of European Regional Innovation Valleys. The EIE Regional Innovation Valleys (RIVs) call – part of the flagship 3 of the [New European Innovation Agenda](#) (NEIA) – ran in parallel to relevant I3 Instrument [Strands 1 / 2a](#) calls. To achieve this synergy, the EIE call was brought forward from 2024 to 2023. EISMEA managed to open the call on time in May 2023, receiving eight proposals which are currently under evaluation.

External communication: Extensive promotion of EIE calls and the RIV initiative through EISMEA communication channels led to EIE-related news reaching the highest number of impressions on the EISMEA Twitter/X and LinkedIn accounts (circa 330 000) as well as the highest number of news item views (around 12 000). Moreover, the Women TechEU and EIE webpages were respectively the second and the third most visited page on the EISMEA website with more than 31 000 views. The high level of interest was confirmed by online info sessions related to EIE and RIV calls which attracted around 1000 participants.

EISMEA also launched the [European Innovation Ecosystems projects' data hub](#). The tool was presented to Commissioner Gabriel at an event in January to demonstrate how EIE projects contribute to the implementation of the New European Innovation Agenda's (NEIA) actions. More than 50 partners attended the event in Brussels and 101 joined online.

Single Market Programme

EISMEA implements several complementary strands of the [Single Market Programme](#) (SMP): the Consumer pillar (actions aimed at protecting the rights of consumers in the internal market); the SME pillar (actions to support the competitiveness of SMEs), as well as actions designed to strengthen the internal market and provide support to standardisation.

By implementing these actions, EISMEA is helping to generate more business opportunities in the Single Market, ensuring that more European SMEs have access to cross-border business by digital means, ensuring that consumers are empowered and better protected and improving

sustainable consumption. As such it contributes to achieving the European Commission's objectives of a Europe fit for the Digital Age and a European Green Deal.

Consumer pillar of the Single Market Programme

The Consumer pillar activities aim at promoting the interests of consumers and ensuring a high level of consumer protection and product safety by empowering, assisting and educating consumers, businesses and civil society; promoting sustainable consumption, supporting competent enforcement authorities, consumer organisations and cooperation actions; ensuring that all consumers have access to efficient redress mechanisms and receive appropriate information on markets and consumer rights.

To help achieve these objectives, the Agency launched three calls/invitations to submit proposals, receiving 71 proposals from 29 Member States, Norway and Iceland:

- Assistance to consumers in Member States in the form of [Alternative Dispute Resolution](#).
- Support for the activities of the consumer organisation at the Union level ([BEUC](#)).
- Support for joint actions by the [European Consumer Centres](#) (ECCs).

In 2023 the Agency finalised the signature of grants in [support of co-operation between national authorities responsible for the enforcement of consumer protection law](#) and grants on [Alternative Dispute Resolution](#). The Agency progressed well on its flagship project to help generate synergies and efficiencies in market surveillance actions and product safety (CASP/JACOP), signing three multiple framework contracts and a related specific contract ([CASP](#)). It also signed 10 service contracts and launched four procurement procedures. In addition, EISMEA prepared and organised events under six service contracts, including Consumer Protection Cooperation Network ([CPC](#)) events and the [European Product Safety Award 2023](#).



Consumer Summit 2023. © European Union

national level.

In March 2023, the Agency helped organise the [Consumer Summit](#) and Informal Ministerial Meeting in Brussels, an annual high-level policy event, bringing together stakeholders including policymakers, national consumer enforcement authorities, academia, and representatives of civil society, such as consumer, business and youth organisations, at both EU and

External communication: In 2023, the Agency organised three online Info Sessions in May and June for prospective applicants of the ADR and ECC call/invitation to submit proposals.

The Agency also contributed to the promotion of the **Consumers Summit** and extensively

supported the promotion led by DG JUST on the **Product Safety Award** and its final ceremony.

SME pillar of the Single Market Programme

The SME pillar aims to strengthen the competitiveness and sustainability of European enterprises by supporting SMEs, clusters and business network organisations, facilitating access to markets, promoting entrepreneurship and a favourable business environment for digital transformation and new opportunities for SMEs, and the modernisation of industry.

Call management: The Agency stayed on track, publishing nine calls for proposals and three calls for tenders under the 2023 WP and two calls for tenders under the 2022 WP.

Programme management: The Enterprise Europe Network (EEN) expanded further with the signature of 15 grant agreements with Turkey and Western Balkan countries.

In March, EISMEA launched a Call for Proposals for EEN organisations to support SMEs in their efforts to improve their energy efficiency. With a budget of EUR 10M, offering direct financial support to eligible SMEs of up to EUR 10 000, the call contributed to achieving the objectives of the [RepowerEU Plan](#) and the forthcoming [Net-Zero Industry Act](#), as well as addressing pressing sustainability issues. The Agency prioritised the call, enabling the project to start just seven months after its publication.



©ECCP Matchmaking event in Taipei

The **European Cluster Collaboration Platform (ECCP)** organised **Clusters meet Regions** workshops in nine regions, bringing together clusters and policymakers at local, regional, and national level to work on strengthening the industrial ecosystem. In addition, four International matchmaking events (Taiwan, Singapore, South Africa and Morocco) created business opportunities for clusters to expand

into third markets and diversify their suppliers.

The [European SME Assembly](#) and [Enterprise Europe Network Annual Conference](#) took place back-to-back from 13-17 November, enabling a joined up approach and improved efficiency. The Assembly announced the winner of the Youth Start-up Competition and saw the Federation of European Security Exchanges and European Issuers celebrate Europe's best listed small- and midcaps. The Annual Conference marked the Network's 15th anniversary.

EISMEA organised the [Intelligent Cities Challenge \(ICC\) Strategy City Lab](#) bringing together over 200 participants involved in this major initiative supporting European cities in their green and digital transitions. The event affirmed the EU's commitment to partner with cities in pursuing the EU Green Deal and the EU Green Deal Industrial Plan, while ICC partners shared insights and experiences with a view to launching Local Green Deal (LGD) partnerships.

Facilitating the continuation of business in Ukraine.

[EEN](#) intensified its provision of third-party funding to Ukrainian SMEs intending to trade or operate in the Single Market.

[Erasmus for Young Entrepreneurs – Ukraine](#) selected five organisations to match 500 Ukrainian new entrepreneurs with host entrepreneurs, enabling them to deepen their knowledge, and expand their network and market reach.

[EU Industry Days](#) 2023 focused on the main drivers, opportunities and challenges of the green, digital, and resilient transition, EU open strategic autonomy, and the integration of Ukraine into the single market. 1000 participants connected with new partners and learned about EU initiatives to support industrial stakeholders. Eight EISMEA-funded projects were featured in the event's [exhibition](#) showcasing new technologies and innovative solutions.

[European Tourism Day](#) 2023 was opened by Commissioner Thierry Breton and featured roundtables on the twin transition and upskilling the workforce in the EU tourism ecosystem. It was the first edition of this event since 2018. The next one will take place in 2025.

External communication: EISMEA promoted the SMP's networks and initiatives, new calls and results (success stories) via its digital communication channels. It contributed to DG GROW's communication campaign for the 30th anniversary of the Single Market via local events and national actions organised by EEN Partners.

Internal Market and support to standardisation

The Internal Market and Support to Standardisation strand of the SMP aims to make the internal market more effective by supporting market surveillance throughout the Union and enabling the financing of European standardisation and the participation of all relevant stakeholders in setting up European standards.

Call management: In 2023, EISMEA published four calls for proposals for Support to Standardisation, it concluded one Framework Contract and signed a specific contract in the field of Market Surveillance. The launch of the call for the support of the European Union Testing Facility (EUTF) was postponed to 2024 to ensure sufficient time for the necessary legal framework to be put in place.

Programme management: The Agency supported the development of standards in strategic fields such as railway safety, artificial intelligence, critical raw materials and the repurposing

of gas networks to dedicated hydrogen networks. EISMEA also published a topic to facilitate the integration of the Ukrainian economy into the EU Single Market, by supporting the translation of harmonised standards into Ukrainian.

The Agency continued to manage operating and action grants to European stakeholder organisations representing consumer, SME, environmental, and social interests in European standardisation.

In the field of Market Surveillance, the Agency contracted services for 17 Product Specific Activities in fields including medical devices, toys, transportable pressure equipment, eco-design and energy labelling. The specific contract “Organisation of Joint Actions on Compliance of Products in the EU and the EFTA countries (JACOP 2024)” was signed in December 2023 with a total budget of EUR 8.5 M. It aims to help ensure that only safe and compliant products are made available in the EU market.

External communication: Throughout the year, EISMEA published news items to raise awareness on the support to market surveillance and standardisation in the EU.

European Regional Development Fund (ERDF)

As a component of the [ERDF](#), the Interregional Innovation Investments (I3) Instrument helps businesses work with innovation actors in other regions to bring innovative products and services to market and address societal challenges. This strong cohesion policy dimension contributes to the development of European value chains in shared or complementary smart specialisation areas. By implementing actions under the I3 Instrument, EISMEA promotes innovative and smart economic transformation across the EU, thus contributing to the European Commission’s objective of a Europe fit for the Digital Age.

Interregional Innovation Investments (I3) Instrument

Call management: EISMEA implemented two investment related calls (Strand 1 and 2a) and finalised the first capacity building related call (Strand Cap2b). These were the final calls of Work Programme 2021/22.

EISMEA also launched two calls from the WP 2023/24. Under the flagship 3 of the [New European Innovation Agenda](#) (NEIA) – “Innovation valleys”, the Agency published two I3 Instrument [Strands 1 / 2a](#) calls that ran in parallel to the Horizon [European Innovation Ecosystems Co-fund calls](#). These calls aim to support the creation of European Regional Innovation Valleys. 49 applicants submitted proposals - including applicants from an increasing number of less developed EU regions. This is an increase on previous calls, showing that public awareness of I3 has risen since its inception in 2021.

In addition, EISMEA launched a [major call for tenders on the 'I3 Instrument Support Facility'](#) (~EUR 3.1 million) to support smart specialisation authorities, I3 Instrument beneficiaries, potential applicants and further regional ecosystem players in their capacity building efforts over the next three years. The contract will start in 2024.

Programme management: 2023 saw also a substantial increase of the number of [running I3 Instrument projects](#). There are now 34 projects, with grants of up to EUR 10 million per project covering a high number of sectors/value chains such as (agri)food, circular economy, hydrogen, mobility, batteries, health, mining and textiles.

External communication: EISMEA organised three digital I3 Instrument information days, as well as the joint Regional Innovation Valleys info day (together with the EIE programme). The events attracted more than 1000

I3 project [BATMASS](#) (total project cost ~EUR 14 million) will implement the first EU Circular Battery Valley, spanning four EU countries and 10 EU Regions. This integrated ecosystem is working to scale up, commercialise and deploy breakthrough GreenTech with a focus on circular technologies and processes for battery materials. In doing so, the project is helping ensure the EU's strategic resilience while integrating less developed regions into this emerging value chain.

participants. Interest in the I3 Instrument grew, with the homepage receiving 26 000 views in 2023 (a 100% increase). On social media, the I3 presence on Twitter/X saw a 60% increase and LinkedIn achieved 100% growth.

InvestEU Programme

The [InvestEU](#) Programme aims to support financing and investment operations related to research, innovation and digitisation. The Agency provides technical support to DG RTD and DG CNECT for the implementation of the InvestEU regulation when requested (in the areas of expertise of the Agency). In 2023, the Agency provided support on InvestEU communication opportunities and activities and on developing synergies between the EIC and InvestEU, for instance participating at the EU finance days organised by DG GROW. EISMEA also participated in InvestEU meetings as an observer to provide technical support to DG RTD.

2. INTERNAL CONTROL AND FINANCIAL MANAGEMENT

Assurance is provided on the basis of information on the efficiency and effectiveness of internal control systems and governance processes. The management monitors the functioning of the internal control systems on a continuous basis and carries out an objective examination with internal and external auditors. The results are explicitly documented and reported to the Director. The following reports / documentation have been considered:

- AOSD reports submitted by the Heads of Sector, Deputy and Heads of Unit and Heads of Department managing budget appropriations;
- the contribution of the Head of Department in charge of Risk Management and Internal Control (RMIC), including the results of internal control monitoring at the Agency level;
- reports on recorded exceptions, non-compliance events and cases of 'confirmation of instructions' (Art 92.3 FR);
- audit reports of the ex post control function;
- the limited conclusion of the Internal Auditor on the state of internal control, and the observations and recommendations reported by the Internal Audit Service (IAS);
- observations and recommendations reported by the European Court of Auditors (ECA).

The systematic analysis of the available evidence provides sufficient guarantees as to the completeness and reliability of the information reported and results in the full coverage of the budget delegated to the Director of EISMEA.

EISMEA implements the delegated programmes with the Director acting as authorising officer by delegation (AOD). As such, the Agency manages the EU programme budgets by way of direct management and manages its own operating budget. For the equity component of the EIC Accelerator programme, the EIB is the implementing partner (indirect management) since the Decision made by the College in December 2023 ⁽¹⁴⁾.

This section covers the control results and other relevant elements that support management's assurance. It is structured into 2.1. Control results, 2.2. Audit observations and recommendations, 2.3. Effectiveness of internal control systems, and resulting in 2.4. Conclusions on the assurance.

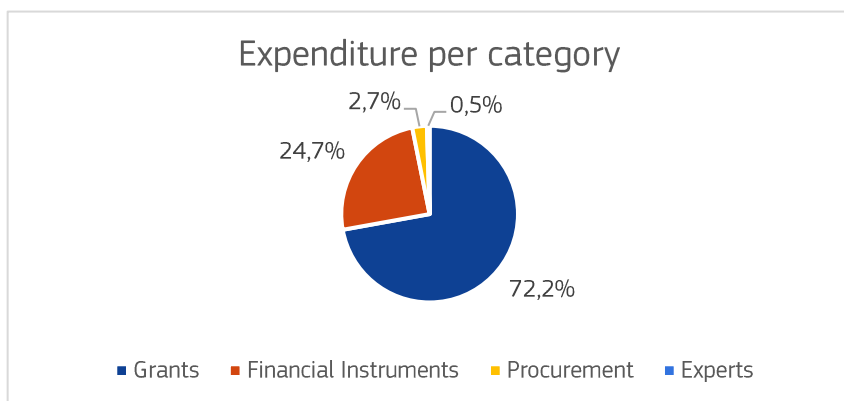
⁽¹⁴⁾ COMMISSION DECISION C(2023) 8183 final of 4.12.2023 on the completion of the restructuring of the European Innovation Council (EIC) Fund in the context of the implementation of the EIC Accelerator under Horizon Europe
eismaa_aar_2023

2.1. Control results

This section reports on the control results used by management to support the assurance on the achievement of the internal control objectives (ICO) ⁽¹⁵⁾. The Agency's assurance building and materiality criteria are outlined in Annex 5, while Annex 6 outlines the main risks together with the control processes to mitigate them and the indicators used to measure the performance of the relevant control systems.

EISMEA implements its budget via direct management. As per its Control Strategy, the Agency employs three distinctive Relevant Control Systems (see annex 6):

- i) Grant Management (including the grant component of the EIC);
- ii) Procurement
- iii) Investment Component of the EIC Fund



Direct management together with financial instruments accounted for 96.8% of EISMEA's payments in 2023. The other expenditures relate to procurement (2.7%) and payment of experts (0.5%)

1) Expenditure overview

As regards both the operational budget expiring and not expiring in 2023, the figures on commitment and payment appropriations can be found in the tables below:

⁽¹⁵⁾ 1) Effectiveness, efficiency and economy of operations; 2) reliability of reporting; 3) safeguarding of assets and information; 4) prevention, detection, correction and follow-up of fraud and irregularities; 5) adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 36.2). The 2nd and/or 3rd ICO only when applicable, given the DG's activities.

Operational Budget 2023 - Commitment Execution per Programme				
Title	Programme	Commitment Appropriations Authorised	Commitments Made	Execution (%)
01 - Research & Innovation	Horizon Europe	1293,02	1289,80	99,75%
	Pilot projects, prep actions, prerogatives, other actions	0,60	0,60	100,00%
	Horizon Europe (NGEU)	454,20	454,20	100,00%
Subtotal (Title 01)		1747,82	1744,60	99,82%
03 - Single Market	Single Market Programme	172,51	172,36	99,91%
	Pilot projects, prep actions, prerogatives, other actions	3,97	3,97	100,00%
Subtotal (Title 03)		176,48	176,33	99,92%
05 - Regional Development & Cohesion	European Regional Development Fund (ERDF)	78,86	78,86	100,00%
Subtotal (Title 05)		78,86	78,86	100,00%
Grand Total		2003,17	1999,79	99,83%

Operational Budget 2023 - Payment Execution per Programme				
Title	Programme	Payment Appropriations Authorised	Payments Made	Execution (%)
01 - Research & Innovation	Horizon Europe	1263,03	959,59	75,98%
	Pilot projects, prep actions, prerogatives, other actions	0,19	0,19	100,00%
	Horizon Europe (NGEU)	444,28	400,98	90,25%
Subtotal (Title 01)		1707,50	1360,76	79,69%
03 - Single Market	Single Market Programme	205,97	205,73	99,88%
	Pilot projects, prep actions, prerogatives, other actions	1,50	1,50	100,00%
Subtotal (Title 03)		207,47	207,23	99,88%
05 - Regional Development & Cohesion	European Regional Development Fund (ERDF)	53,23	53,23	100,00%
Subtotal (Title 05)		53,23	53,23	100,00%
Grand Total		1968,20	1621,22	82,37%

The initial operating budget 2023 (EUR 52,702 million) was adopted in December 2022. Following the fourth budget amendment as a result of a budgetary revision exercise, the budget was reduced to EUR 47,907. In 2023, the budget was used to cover the administrative expenses of the Agency. A total of EUR 47,648 million was committed, out of which a total of EUR 43,482 million was paid in 2023 (C1 appropriations).

On the operating budget, 1,007 payments were processed with 99,7% of the total payment accepted amount within the legal deadlines.

Operating Budget 2023		Commitments (Million EUR)		Payments (Million EUR)	
		Appropriations authorised	Made	Appropriations authorised	Made
Title 1	C1 fund source	38,225	38,028	38,225	37,141
	C8 fund source	1,283	0,882	1,283	0,882
Title 2	C1 fund source	7,115	7,066	7,115	5,648
	C8 fund source	1,305	1,049	1,305	1,049
Title 3	C1 fund source	2,567	2,555	2,567	0,692
	C8 fund source	1,351	1,181	1,351	1,181
Total (C1 + C8)		51,846	50,761	51,846	46,593
Total (C1)		47,907	47,649	47,907	43,481
Total (C8)		3,939	3,112	3,939	3,112

The Agency carries out an Accounting Quality Exercise on an ongoing basis which aims at ensuring the accuracy of the accounting data in the IT financial systems. In 2023, EISMEA tested financial transactions in areas including expenditure, pre-financing, commitments, guarantees, recovery orders, fixed assets and cut-off. The tests concluded that financial transactions were recorded according to Financial Regulation and internal guidelines.

The table below represents an overview of EISMEA's operational expenditure per activity (grants, procurement and experts) and per programme.

Risk-type / Activities	Grants (e.g. actual costs based, or lump sums, or entitlements)	Procurement (e.g. minor or major values)	Delegation / Contribution agreements with EE (Transfer to EIC Fund)	Other (describe any other expenditure not covered by the previous columns)	Total Expenditure	NEI, e.g. Revenues, Assets, OBS ((in)tangible or financial assets & liabilities)
Horizon Europe 2021-2027	795,55	11,91	400,00	7,47	1.214,93	
Horizon Europe Pilot projects		0,19			0,19	
H2020	140,36	5,24		0,04	145,64	
COSME 2014-2020	12,54	9,81			22,35	
SME 2021-2027	137,54	10,62		0,51	148,67	
Consumer 2014-2020	0,26	1,17			1,43	
Consumer 2021-2027	10,40	4,01			14,41	
Standardisation 2014-2020	6,03				6,03	
Standardisation 2011-2027	11,92				11,92	
Market surveillance 2021-2027	0,78	0,14			0,92	
SMP Pilot projects	1,50				1,50	
ERDF 2021-2027	53,04	0,19		0,06	53,23	
Totals (coverage)	1.169,92	43,28	400,00	8,02	1.621,22	
Links to AAR Annex 3	Overall total (m EUR)					

2) Revenue and Income overview (presented in Annex 3, Table 7)

The revenue of EUR 17,869 million relates mostly to recovery of pre-financing and expenditure paid to beneficiaries.

3) Financial Instruments and significant non-expenditure items overview (presented in Annex 3, Table 4 Balance Sheet)

The EUR 609m of non-current financial assets relate to investments of the EIC Fund in EIC Accelerator start-ups either via equity participations or via convertible loans.

The EUR 123m of current financial assets are cash surpluses which are not needed in the short term for investments of the EIC Funds and therefore placed in the interest bearing EIB Unitary Fund.

In line with the 2018 Financial Regulation, EISMEA's assessment for the new reporting requirement is as follows:

- Cases of "confirmation of instructions" (FR art 92.3): None
- Cases of financing not linked to costs (FR art 125.3): 9 cases
- Financial Framework Partnerships >4 years (FR art 130.4): None
- Cases of flat-rates >7% for indirect costs (FR art 181.6): Cases covered by derogations from this rule
- Derogations from the principle of non-retroactivity pursuant to Article 193 of the Financial Regulation: None

2.1.1. Effectiveness of controls

a) Legality and regularity of the transactions

EISMEA uses internal control processes to ensure sound management of risks relating to the legality and regularity of the underlying transactions it is responsible for, taking into account the multiannual character of programmes and the nature of the payments concerned.

In addition to the direct grant management, the Agency follows the guidance of an independent EIC board and cooperates with the EIC Fund, an independent entity responsible for the investment component of EIC Accelerator blended finance awarded to breakthrough innovation companies. From 1 January 2024, the investment component of EIC Accelerator is managed by the EIB under the oversight of DG RTD.

1) Control objective

The R&I Family operates on a common audit strategy intended to contribute to the legality and regularity of expenditure on a multi-annual basis, including detection and correction of non-systemic and systemic errors.

For Horizon 2020, the Common Audit Service (CAS) of the Common Implementation Centre (CIC) carries out all audits, including those concerning grants managed by the Executive Agencies and the Joint Undertakings. This is a major step towards ensuring efficiency gains, a harmonised approach, legal certainty, equality of treatment of beneficiaries and the least audit burden on beneficiaries. The **Horizon Europe** Audit Strategy is risk-based and draws on the achievements of lessons learnt from Horizon 2020.

The **main indicators** on legality and regularity⁽¹⁶⁾ of EU Framework Programmes for Research and Innovation are:

- The **cumulative representative detected error rate**, based on errors detected by ex-post audits on a Common Representative Sample of cost claims across the R&I Family; and
- The **cumulative residual error rate**, which is the extrapolated level of error after corrective measures have been implemented by the Commission services following the audits, accumulated on a multi-annual basis.

The **targets** set for this control system are, respectively:

- For Horizon 2020, to ensure that the cumulative residual error rate remains within a range of 2-5 %, aiming to be as close as possible to 2%. Progress against Horizon 2020 targets is assessed annually based on the results of the implementation of the ex-post audit strategy and taking into account the frequency and importance of the detected errors along with cost-benefit considerations regarding the effort and resources needed to detect and correct the errors.
- For Horizon Europe, to ensure that cumulative detected and residual error rates do not exceed 2%⁽¹⁷⁾.

It should be noted, however, that due to its multi-annual nature, the effectiveness of the ex-post control strategy of the R&I Family can only be measured and assessed fully in the final stages of the EU Framework Programme, once the ex-post audit strategy has been fully implemented, and errors, including those of a systemic nature, have been detected and corrected.

For **non-Horizon 2020 and non-Horizon Europe programmes**, the main indicator used to assess the legality and regularity of the transactions under grant management is the residual error rate deriving from the ex post audits. Ex post controls are under the responsibility of EISMEA for this segment. The target set is to ensure that the cumulative residual error rates per programme do not exceed 2%.

(16) These indicators are described in Annex 5.

(17) No representative error rate for Horizon Europe will be available in 2022 and 2023 as the ex-post audit campaign for the Programme is planned to be launched in the beginning of 2024.

2) Assessment of the control results

The EISMEA Control Strategy was updated in 2023 to implement the recommendations of the DG IAS audit on the Design and early implementation of the EIC.

Control results for grants management

The control system for grant direct management is deployed in four stages: 1) programming, evaluation and selection of proposals, 2) contracting, 3) monitoring and execution and 4) ex post controls. Key indicators have been defined for each stage covering control effectiveness and control efficiency.

These controls are reinforced through a Programme Manager's Office providing expertise in an emerging science-and-technology area. Fully integrated in all stages of the control processes, the Office works closely with the ongoing projects and stakeholders to create and accelerate concrete innovation opportunities through a portfolio of actions, potentially spanning the full range of EIC schemes: Pathfinder, Transition and Accelerator.

Stage 1: programming, evaluation and selection of proposals aims to ensure that the Agency selects the most promising proposals that best contribute towards the achievement of the programme and operational objectives, and comply with the eligibility, selection and award criteria.

EISMEA concluded all legacy calls previously planned. The budget allocated for calls published in 2023 was fully implemented or committed for all programmes in 2023. For further details of cost effectiveness ratios for proposals and evaluation review requests see Annex 7. Benefits could be quantified to more than EUR 2.015 million in total, as detailed in the table below.

Benefits stage 1	EIC Pathfinder	EIC Transition Open EIC Transition Challenges	EIC Accelerator (HE)	European Innovation Ecosystems (HE)	Inneregional Innovation Investments Initiative (ERDF)	SMP (SME Pillar)	Support to Standardisation	Consumers	TOTAL
Indicative calls budget	383.640.000,00 €	128.360.000,00 €	1.137.710.000,00 €	189.380.000,00 €	76.816.583,00 €	66.950.000,00 €	26.957.002,00 €	18.400.000,00 €	2.028.213.585 €
Total requested funding selected proposals	411.637.621,15 €	111.940.696,75 €	805.547.993,00 €	157.967.992,96 €	75.798.693,29 €	67.129.739,59 €	14.480.297,50 €	19.602.140,44 €	1.664.105.175 €
% success rate : selected (funded) vs eligible proposals	12,04%	12,10%	4,71%	29,22%	46,67%	24,43%	77,14%	100,00%	12,45%
Requested funding ineligible proposals	144.369.129,00 €	63.813.104,75 €	528.000.000,00 €	18.378.133,60 €	4.167.908.536,00 €	59.720.611,21 €	424.940,40 €	- €	4.982.614.455 €
Benefit (requested funding ineligible proposals * success rate)	17.388.357,85 €	7.720.597,86 €	24.842.562,43 €	5.369.860,91 €	1.945.023.983,47 €	14.588.240,91 €	327.811,17 €	- €	2.015.261.415 €

Qualitative benefits: a well-designed Work Programme and widely published calls appeal to a larger number of good quality projects, out of which the very best can be chosen. Expert evaluators bring independence, knowledge and a range of opinions. Selection controls ensure that the most merited projects are funded.

Stage 2: contracting aims to ensure that the allocation of actions and funds provides the best value for public money, and that each of the selected proposals is translated into a legally binding grant agreement allowing for sound management.

Qualitative benefits: Checking the committed budget for relevance and appropriateness helps prevent future errors, leading to a higher assurance on the achievement of the project objectives and results.

Stage 3: monitoring the execution aims to ensure that the operational and financial results from the projects are of good value, meet the objectives, and comply with regulatory and contractual provisions. In 2023, 17.68 % of non-eligible costs over the amount claimed were detected in ex ante controls.

Qualitative benefits: Monitoring, processing amendments and scrutinising costs claimed by beneficiaries contribute to the legality and regularity of the transactions and therefore an overall improvement of the financial efforts carried out by the Agency.

Stage 4 Ex post controls and implementing results

Ex post control results for grant management

Horizon 2020 Framework Programme: The CAS finalised audits on 648 participations corresponding to 100.9% of the 2023 target for H2020.

The Commission methodology for calculating the Horizon 2020 error rates is in line with the European Court of Auditors' (ECA) observations in their 2018 and 2019 Annual Reports and is described in Annex 5 'Materiality criteria'. Use of the methodology yielded the following error rates for Horizon 2020 ⁽¹⁸⁾ on 31 December 2023:

- **Cumulative representative detected error rate** for the Framework Programme: **2.57% ⁽¹⁹⁾**
- **Cumulative residual error rate** for the Framework Programme: **1.55%** (2.17 % for EISMEA).

In 2023, the cumulative residual error rate for Horizon 2020 for the grants managed directly by EISMEA is calculated at 2.17%. Since R&I Framework Programmes are multi-annual, the error rates, and the residual error rate in particular, should be considered within a time

(18) The Horizon 2020 audit campaign started in 2016. At this stage, five Common Representative Samples with a total of 788 expected results have been selected. By the end of 2023, cost claims amounting to EUR 49.2 billion have been submitted by the beneficiaries to the services. The audit coverage for Horizon 2020 is presented in Annex 7. In addition to the Common Representative Samples, Common Risk Samples and Additional Samples have also been selected. The audits of 4 707 participations were finalised by 31/12/2023 (of which 648 in 2023).

(19) Based on the 581 representative results out of the 788 expected in the five Common Representative Samples.

perspective. Specifically, the implementation of the audit results over time will tend to lower the cumulative residual error rate thus increasing its difference with the representative detected error rate.

These error rates are calculated on the basis of the audit results available when drafting the Annual Activity Report. They should be treated with caution as they may change subject to the availability of additional data from audit results.

Given the results of the audit campaign, and the observations made by the European Court of Auditors in its Annual Reports, the Common Implementation Centre of DG RTD, in close cooperation with central Commission services, defined actions aimed at significantly simplifying the rules, and paving the way for an important reduction of the error rate in Horizon Europe such as the use of a Corporate Model Grant Agreement and a Corporate Annotated Grant Agreement for all Programmes directly managed by the Commission. Other actions under implementation also targeting Horizon 2020 grants and beneficiaries, include further simplification (such as the increased use of simplified forms of funding, including lump sums and unit costs), focused communication campaigns to more “error-prone” types of beneficiaries with higher than average error rates (such as SMEs and newcomers), and enhanced training to external audit firms performing audits on behalf of the Commission. Focusing on the most common errors, these actions will be straightforward and achieve higher impact ⁽²⁰⁾.

Horizon Europe Framework Programme: 2023 was the third year of implementation of the Horizon Europe Framework Programme. No representative error rate for Horizon Europe is available in 2023 as the ex post audit campaign for the Programme is planned for launch in 2024, once a meaningful number of payments is available for audit. Consequently, without elements allowing an assessment of the level of errors and taking into account the simplifications introduced for Horizon Europe that aim to reduce the error rate, a 2% ⁽²¹⁾ detected and residual error rate will be considered for EISMEA.

Other programmes managed by the Agency: EISMEA implements the ex post audit strategy for the legacy programmes (2014-2021). Progress against control objectives and targets is assessed annually based on the results of the ex post audits ⁽²²⁾. Ex post controls have a deterrent and learning effect for beneficiaries, helping to reduce errors in future cost declarations. Feeding back findings from ex post audits contributes to the improvement of ex-ante controls and clarification of rules and guidance.

(20) The CAS continues to analyse the root causes of errors that have been identified and targeted actions are taken to address any identified weaknesses. Further information on the implementation of the action plans established to reduce the error rates of Horizon 2020 and Horizon Europe can be found in Annex 7.

(21) These rates correspond to the objective set for Horizon Europe.

(22) The ex post audit methodology is explained in Annex 5
eismaa_aar_2023

The methodology used to calculate the error rates takes into account European Court of Auditors' observations made in their 2018 and 2019 Annual Reports. The methodology applied as such is described in Annex 5, while the impact of ECA's observations on the error rates is detailed in Annex 7.

The multi-annual residual error rates at the end of 2023 for "Internal Market and support to Standardisation activities" is 0,35%.

The multi annual residual error rates at the end of 2023 for COSME is 2,38% (decreased from 2,69% in 2022) and for the Consumer Programme is 3,59% (increased from 0,26% in 2022). Both rates are above the materiality threshold of 2%, however, as these programmes meet the cumulative criteria to fall below the "de minimis rule"⁽²³⁾, EISMEA does not report a reservation. Following the introduction of a reservation on the COSME programme in 2020, mitigating measures were put in place and continue to be implemented. The actions have had a positive impact in reducing the multi annual residual error rate of the programme.

For the Consumer Programme, the error rate increased chiefly due to a lack of time records for staff not working exclusively on the project of two beneficiaries audited as part of the 2023 representative sample. As a result, EISMEA communicated on how to avoid similar mistakes to other beneficiaries in the programme.

Details about the calculations of the "de minimis rule" are shown in Annex 9 while a list of the mitigating measures implemented in 2023 is included in Annex 7.

Details of multi-annual residual error rates based on ex post audits are shown in Annex 7.

Cost effectiveness: costs and benefits per stage

STAGES	BENEFITS	staff costs	external /other costs	COSTS
Stage 1: evaluation and selection	2.015.261.414,59 €	5.978.606,07 €	355.588,00 €	6.334.194,07 €
Stage 2: contracting	23.793.356,68 €	4.478.598,36 €	- €	4.478.598,36 €
Stage 3: monitoring the execution	62.480.400,13 €	20.900.125,67 €	- €	20.900.125,67 €
Stage 4: ex-post controls and recoveries	295.992,32 €	596.956,14 €	223.076,16 €	820.032,30 €
TOTAL	2.101.831.163,72 €	31.954.286,24 €	578.664,16 €	32.532.950,40 €

Table 4: Cost per stage

The above table gives an overview of costs per stage. The staff costs of controls related to the four stages of grant management have been estimated by considering (i) direct costs, (operational and finance staff directly dealing with grant management), and (ii) indirect and overhead costs by applying an allocation key. The external costs include expenses paid for evaluation experts, missions, and the external contractor dealing with ex post control audits. As regards Horizon 2020, the audits are performed by the Common Audit Service (CAS).

⁽²³⁾ Agreement of the Corporate Management Board of 30/4/2019. eismaa_aar_2023

EISMEA's Manual of Procedures (first published in 2022 and regularly updated in 2023) contributes to the cost-effectiveness of EISMEA's processes, serving as a vital internal resource to help staff members perform their everyday tasks with efficiency.

Control results for the Investment component of the EIC Fund

In 2023, EISMEA transferred a total of EUR 400 million to the EIC Fund. The unaudited financial statements of year 2023 were provided by the EIC Fund on 15 February 2024 and the audited financial statements are due by 30 April 2024.

On 21 February, DG BUDG confirmed that the financial information provided by the EIC Fund on 15 February is in accordance with the accounting rules outlined in the Private Placement Memorandum (PPM). Ultimately, it is the responsibility of the external auditor to certify that the financial statements comply with the EU Accounting Rules (EAR).

The reports foreseen in the PPM of the EIC Fund covering the year 2022 that have been received in 2023 (that were not analysed as part of the 2022 EISMEA AAR) have been duly analysed and no issues were raised in the context of the review of the 2022 final reporting package.

The reports foreseen in the PPM of the EIC Fund covering the year 2023 have been received by 21 February 2024 and assessed by 8 March 2024 with the exception of the audited financial statements that are due on 30 April 2024.

The EIC Work Programme 2023 foresees that the EIC Fund will receive an annual amount from the EIC Work Programme budget to cover administrative expenses and fees and will, on average, not exceed 10% of the budget transferred for investments purposes (see Annex 7). An analysis of the 2023 unaudited financial statements shows that the administrative expenses and fees did not exceed the predetermined maximum ceiling.

The administrative agent of the EIC Fund provided on 15 March 2024 a declaration of assurance, based on the EIC Fund's judgement and on the information at the disposal, including from control and audit work carried out in line with international professional standards and practices. Furthermore, the administrative agent of the EIC Fund has confirmed that, to the best of its knowledge, it is not aware of any undisclosed matter during the Fiscal Year 2023 which could be damaging to the financial interests of the European Union other than matters brought to the attention of the EU Commission by the EIC Fund in accordance with the PPM.

Based on EISMEA's assessment of the reports received to date for the year 2023, and subject to the provisions of the audited documents, EISMEA concludes that the EIC Fund has successfully completed its reporting obligations for 2023. Consequently, with the information currently available, no significant weaknesses affecting the management of the EIC Fund have been identified.

3) Overview of EISMEA's risk profile

EISMEA's portfolio of grants consists of segments with a low error rate, i.e. Standardisation (MFF 2013-2020), and a few segments with a higher error rate, i.e. COSME (MFF 2013-2020), Consumer Programme (MFF 2013-2020) and H2020. For these programmes, the higher level of error in grants is linked to the applicable funding model (based on actual costs), and to the profile of some beneficiaries of the programme such as: “one-time beneficiaries”, which are not used to EU funding rules, small entities which do not have a robust financial management system in place and - for COSME - also beneficiaries located in third countries with limited knowledge of EU rules. For those latter segments with control weaknesses, most of the errors relate to incorrect claims for personnel costs that are mainly due to beneficiaries' lack of thorough understanding knowledge of the rules. Actions aimed at reducing the multiannual error rate of Horizon 2020, COSME and the Consumer Programme are detailed in Annex 7 (see also section 2.1.1.1 above).

4) Table (X): Estimated risk at payment and at closure

Based on all the above, EISMEA presents in the following Table X an estimation of the risk at payment and risk at closure for the expenditure managed during the reporting year.

Table X: Estimated risk at payment and at closure (amounts in EUR million) The full detailed version of the table is provided in annex 9.

DG EISMEA	Payments made		Relevant expenditure		Estimated risk (error rate %) at payment		Estimated future corrections and deductions		Estimated risk (error rate %) at closure	
	m EUR	m EUR	m EUR	%	m EUR	%	m EUR	%	m EUR	%
Horizon Europe Financ. Instr. (RCS 3) ⁽²⁴⁾	400.00	400.00	2.00	0.50%	0.00	0.00%	2.00	0.50%		
Horizon Europe Grants (RCS 1)	795.55	49.84	1.00	2.00%	0.00	0.00%	1.00	2.00%		
Horizon Europe Others (RCS 2)	19.38	15.68	0.08	0.50%	0.00	0.00%	0.08	0.50%		
Horizon Europe Pilot Projects Others (RCS 2)	0.19	0.19	0.00	0.50%	0.00	0.00%	0.00	0.50%		
H2020 Grants (RCS 1)	140.36	639.99	16.45	2.57%	2.56	0.40%	13.89	2.17%		
H2020 Others (RCS 2)	5.28	6.14	0.03	0.50%	0.00	0.00%	0.03	0.50%		
COSME MFF 2014-2020 Grants (RCS 1)	12.54	29.63	0.79	2.67%	0.01	0.03%	0.78	2.64%		
COSME MFF 2014-2020 Others (RCS 2)	9.81	10.45	0.05	0.50%	0.00	0.00%	0.05	0.50%		
SME MFF 2021-2027 Grants (RCS 1)	137.54	39.24	0.20	0.50%	0.00	0.00%	0.20	0.50%		
SME MFF 2021-2027 Others (RCS 2)	11.14	10.92	0.05	0.50%	0.00	0.00%	0.05	0.50%		
Consumer MFF 2014-2020 Grants (RCS 1)	0.26	1.27	0.05	3.61%	0.00	0.03%	0.05	3.58%		
Consumer MFF 2014-2020 Others (RCS 2)	1.17	1.17	0.01	0.50%	0.00	0.00%	0.01	0.50%		
Consumer MFF 2021-2027 Grants (RCS 1)	10.40	6.50	0.03	0.50%	0.00	0.00%	0.03	0.50%		
Consumer MFF 2021-2027 Others (RCS 2)	4.01	4.01	0.02	0.50%	0.00	0.00%	0.02	0.50%		
Mkt surveil MFF 2021-2027 Grants (RCS 1)	0.78	0.00	0.00	0.50%	0.00	0.00%	0.00	0.00%		
Mkt surveil MFF 2021-2022 Others (RCS 2)	0.14	0.14	0.00	0.50%	0.00	0.00%	0.00	0.50%		
Standardisn MFF 2014-2020 Grants (RCS 1)	6.03	9.95	0.08	0.80%	0.00	0.00%	0.08	0.80%		
standardisn MFF 2021-2027 Grants (RCS 1)	11.92	2.42	0.01	0.50%	0.00	0.00%	0.01	0.50%		
SMP Pilot projects Grants (RCS 1)	1.50	0.00	0.00	0.50%	0.00	0.00%	0.00	0.00%		
ERDF MFF 2021-2027 Grants (RCS 1)	53.04	0.00	0.00	0.50%	0.00	0.00%	0.00	0.00%		
ERDF MFF 2021-2027 Others (RCS 2)	0.19	0.19	0.00	0.50%	0.00	0.00%	0.00	0.50%		
Sub-total	1 621.22	1 227.74	20.85	1.70%	2.57	0.21%	18.28	1.49%		
operating budget	46.60	46.60	0.23	0.50%	0.00	0.00%	0.23	0.50%		
total EA (operational + operating)	1 667.82	1 274.33	21.08	1.65%	2.57	0.20%	18.51	1.45%		

The **estimated overall risk at payment** for 2023 expenditure, 1,65%, is the AOD's best, conservative estimate of the amount of relevant expenditure during the year not in conformity with the contractual and regulatory provisions applicable at the time the payment was made. This expenditure will subsequently be subject to ex post controls and a proportion of the underlying errors will be detected and corrected in ensuing years, corresponding to the conservatively estimated future corrections for 2023 expenditure, 0,20%.

⁽²⁴⁾ The EIC Fund is managed in indirect management since the 01/01/2024 following the third EC Decision on EIC Fund. In 2023, the EIC Fund was managed in a hybrid mode as detailed in the EC Decision C_2022_2408. In the framework of the AAR, EISMEA considers it managed the EIC Fund in direct management.

The difference between those two results is the estimated overall risk at closure ⁽²⁵⁾, 1,45%. This is a decrease compared to 2022 (1,64%) mainly due to the decrease of the detected error rate in the H2020 programme and its high share in the relevant expenditure of the year.

For an overview at Commission level, the DGs' and Agencies' estimated overall risk at payment, estimated future corrections and risk at closure are consolidated in the AMPR.

5) Preventive and corrective measures

EISMEA has an effective mechanism in place for correcting errors, through ex ante and ex post controls, resulting in preventive and corrective measures, amounting to EUR 19.14 million and EUR 2.47 million respectively in 2023. The preventive measure implemented by EISMEA increased by EUR 7,85 million compared to 2022 which is mostly explained by an increase in credit notes.

Ex post corrections decreased by EUR 1.43 compared to 2022. This is mainly due to some audits being finalised close to the end of the year which have not yet been implemented. Please see details in Table 8 of Annex 3.

b) Fraud prevention, detection and correction

EISMEA developed its anti-fraud strategy (finalised on 30 May 2023) based on the methodology provided by OLAF. Its implementation is monitored and reported to the management twice a year, through the Agency's mid-year and annual activity reports. All 20 planned actions have been fully (18) or partially (2) implemented. Details on the results and outputs of measures set in the anti-fraud strategy are provided in Annex 7.

EISMEA also contributed to the revised common anti-fraud strategy in the 2023 Research and Innovation Family, as well as the implementation of its action plan, notably to action 1.5 by participating in the working group established to develop specific guidelines for beneficiaries as regards grants for financial support to third parties (cascading grants). EISMEA participated in the meetings of the Fraud and Irregularities in Research (FAIR) in which the updated Research and Innovation anti-fraud strategy was adopted.

EISMEA contributed to the revised Commission anti-fraud strategy Action Plan (26) of July 2023, notably to action 40 by mapping ethics and anti-fraud training. EISMEA followed up OLAF's financial recommendations for 2019-2023 with the following results:

⁽²⁵⁾ This is the AOD's best, conservative estimation of the expenditure authorised during the year that would remain not in conformity of applicable regulatory and contractual provisions by the end of implementation of the programme.

⁽²⁶⁾ COM(2023)405 – 11 July 2023.

At the end of 2023, the Agency had 16 financial recommendations issued by OLAF in its register, of which three were implemented (18.75%), eight are under analysis (50%) and five are non-implemented (31.25%).

Specifically, the eight cases under analysis refer to complex cases involving elements such as court judgements and potential EPPO investigations which require an in-depth analysis and work before the implementation can be made. As regards the five non-implemented cases, these refer to: two cases which are currently under implementation due to the contradictory procedure; two cases where the implementation cannot be yet done until the liquidation procedure is concluded and the dividends of the bankruptcy estate - if any - are distributed amongst the creditors; and one case is subject to an enforced decision of the European Commission pursuant to Article 299 TFEU to which no recovery has yet been made.

The main results achieved thanks to the anti-fraud measures in place are:

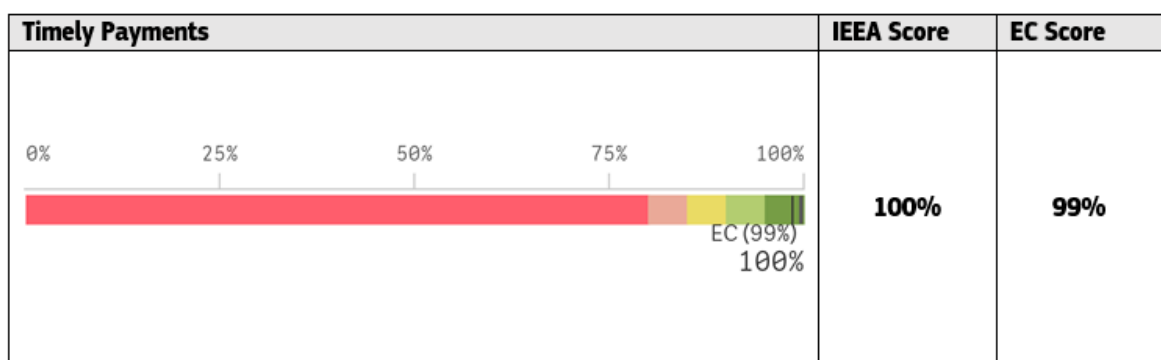
- Fraud risk management through regular updates of fraud-related risks in EISMEA's risk register, ensuring that the residual part remains within an acceptable level;
- Improved knowledge of best practices in fraud prevention through participation in the Fraud Prevention and Detection Network (FPDNet) and the Fraud and Irregularities in Research Committee (FAIR) as well as the Working Group on the development of a corporate risk-scoring IT tool;
- Formalisation of working arrangements with the European Public Prosecutor's Office (EPPO), following collaboration with the other Executive Agencies.

On the basis of the available information, EISMEA has reasonable assurance that the anti-fraud measures in place are effective overall.

2.1.2. Efficiency of controls

Having considered the control efficiency ratios for each of the four stages of controls described above, EISMEA concludes that its activities have been carried out in an efficient manner. Figures for time to inform, time to grant and timely payments were within target for almost all programmes as outlined in: Executive Summary B (Key Performance Indicators), Annex 4 (financial scorecard) and Annex 7 (efficiency indicators per programme). In 2023, EISMEA processed some 4 680 payments on the operational budget where 99,6% of the total payment accepted amount was done within the legal deadlines. On the administrative budget, some 1 007 payments were processed where 99,7% of the total payment accepted amount was done within the legal deadlines⁽²⁷⁾. EISMEA updated its financial circuits in preparation for its re-organisation (16 December 2023). They were adopted by its Steering Committee on 12 December 2023.

⁽²⁷⁾ The data in the graph are rounded up, explaining the slight difference (99.6%/99.7% vs 100%)
eismae_aar_2023



On operational budget, EISMEA processed EUR 1.562.609.034 of payments on time out of EUR 1.569.530.957 total. On administrative budget, EISMEA processed EUR 11.164.731 of payments corresponding to individual commitments on the administrative budget within the legal deadlines, out of EUR 11.795.608 total. For both budgets combined, EISMEA scores above the EC score, reflecting efficient payment processing.

2.1.3. Economy of controls

The calculation of the cost of controls was done taking into account the number of relevant Full Time Equivalent (FTE) working in each function related to the pertinent control stage and considering other costs related to external experts.

	Costs of controls	Amounts managed	Ratio costs/amount
ex-ante controls (operational budget)	28.393.113,59 €	1.621.221.635,43	1,75%
total amount of ex-post controls in 2022	820.032,30 €	10.275.812,48 €	7,98%
overhead costs of the agency	3.319.804,52 €	1.621.221.635,43 €	0,20%
Total cost of controls	32.532.950,40 €	1.621.221.635,43 €	2,01%

Table 6 - Cost of controls

The table above gives an overview of the Agency's ratio of cost of controls over the total amounts managed. Compared to 2022 (2.36%), the cost of controls decreased in 2023 (2.21%).

Details of the estimated cost related to shared/pooled control activities carried out by REA and hosted by DG RTD (Common Implementation Centre including Common Audit Service) for the Research and Innovation family are reported in the annual activity reports of REA and DG RTD.

2.1.4. Conclusion on the cost-effectiveness of controls

Based on the most relevant key indicators and control results, EISMEA has assessed the effectiveness, efficiency and economy of its control system and reached a positive conclusion on the cost-effectiveness of the controls for which it is responsible.

2.2 Audit observations and recommendations

This section sets out the observations, opinions and conclusions reported by auditors – including the limited conclusion of the Internal Auditor on the state of internal control. Summaries of the management measures taken in response to the audit recommendations are also included, together with an assessment of the likely material impact of the findings on the achievement of the internal control objectives, and therefore on management's assurance. Further information on this section can be found in Annex 7.

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

Internal Audit Service

In 2023, the Agency finalised the implementation of the following IAS audits:

- i. Audit on Implementation of audit results in H2020 (RTD/CIC, CNECT, ERCEA, REA, CINEA, EISMEA).
- ii. Audit on the design and early implementation of the European Innovation Council (EIC) in the European Innovation Council and Small and Medium Enterprises Executive Agency (EISMEA), the Directorate General for Research and Innovation (DG RTD) and the Directorate General for Communications Networks, Content and Technology (DG CNECT).

The critical and very important recommendations stemming from this audit resulted in a reservation being issued in the AAR 2022. Following the implementation of all EISMEA actions in the Joint Action Plan agreed between DG RTD, DG CNECT and EISMEA and submitted to DG IAS, the issues related to the audit findings, which gave rise to the reservation have no more impact on the achievement of the EIC internal control objectives and therefore the Agency's assurance.

The Agency continues to implement audit recommendations stemming from the audit on Protection of personal data of beneficiaries (EASME/EISMEA, EACEA, INEA). Based on the action plan that was agreed in September 2022, the Agency has implemented four important recommendations out of six.

There are no critical or very important IAS recommendations overdue for more than 6 months from the previous audits.

The final report on the review of the Commission's risk at payment was issued by IAS on 19/01/2024. A consolidated Action Plan to address the very important recommendation identified by the IAS and addressed to EISMEA was agreed between RTD, REA, ERCEA and EISMEA as well as DG BUDG and submitted to the IAS on 20/02/2024.

Within its contribution to the 2023 Annual Activity Report process, the IAS issued limited conclusion of the Internal Auditor on the state of EISMEA's internal control ⁽²⁸⁾. The IAS concluded that the internal control systems in place for the audited processes are effective, except for the observation giving rise to the 'very important' recommendation as mentioned above, which will be addressed as a matter of priority in 2024.

European Court of Auditors

Administrative budget: The Court expressed the opinion that Agency's 2022 accounts presented fairly its financial position. The transactions underlying the annual accounts were legal and regular in all material aspects. One observation was raised relating to internal control weaknesses in the implementation of a digital communication services. This point does not call the Court's positive opinion into question and was properly addressed in the Agency's replies and actions.

Operational budget: Details and results of the sampled transactions of the ECA audits performed on the operational budget can be found in Annex 7.

Performance audits: During the year, the ECA undertook three performance audits involving EISMEA (final results had not been communicated by the end of 2023):

- i. Follow up on the Special report No 02 2020 "The SME Instrument in action an effective and innovative programme facing challenges"
- ii. Preliminary study on geo-blocking
- iii. Special Report on Commission's interventions to coordinate and boost AI investments in the EU

2.3 Assessment of the effectiveness of internal control systems

The Commission has adopted an Internal Control Framework (ICF) based on international good practice, to ensure the achievement of its policy and management objectives. Compliance with the internal control framework is a compulsory requirement.

⁽²⁸⁾ Internal Audit Service contribution to the 2023 Annual Activity Report process, received 12/02/2024
eismae_aar_2023

EISMEA uses the organisational structure and the internal control systems suited to achieving its policy and internal control objectives in accordance with the internal control principles and has due regard to the risks associated with the environment in which it operates.

The internal control assessment was performed in compliance with the methodology established by DG BUDG ⁽²⁹⁾. It was based on an evaluation of monitoring indicators defined in the EISMEA Internal Control Framework and a desk review of the analysis of information from various sources detailed in annex 8.

Business Continuity: In 2023, EISMEA undertook a series of actions to update its priority functions and train its duty officers. The Agency also participated in the corporate cascade exercise and is building on the lessons learned with specific actions. Following the relocation of the agency to a new building, EISMEA is further updating its business continuity plans and working closely with the other Executive agencies who share the building on issues concerning building management. For further details on business continuity see annex 8.

Internal Control awareness-raising activities: EISMEA's Manual of Procedures - a single repository and reference point for all EISMEA's working processes and procedures – was updated in 2023, notably implementing several corrective actions following the recommendations of the DG IAS audit on design and early implementation of the EIC. In addition, EISMEA's internal control team's, role, work and procedures were presented to staff as part of the Agency's internal communication activities. Further details in annex 8.

Internal Control Assessment: The Agency implemented all the actions from the Joint Action Plan based on the final audit report on the Design and early implementation of the EIC in EISMEA, DG RTD and DG CNECT received from DG IAS in January 2023, which improved the functioning of the Internal Control Principles (ICP) 3 “establishment of structures, authority and responsibility”, ICP 10 “selection and development of control activities” and ICP 12 “deployment of control activities through policies and procedures”. As part of the implementation of the audit recommendations, EISMEA revised its control and anti-fraud strategies and carried out an assessment of the internal control components for the specificities of the EIC. Following these actions, the EIC programme is fully aligned with the ICF.

EISMEA also took into consideration the results of the Agency's internal control survey and the staff survey performed during a transition phase of the Agency (concurrent move to a new building as well as a reorganisation during the end of the year). The weaknesses identified in the surveys require improvement concerned four ICP affecting the control environment and Principles 9 (Identification and analysis of significant changes) and 14 (internal communication). For further details see annex 8. An action plan for 2024 was already developed based on the results of the Agency's internal survey and a robust action

⁽²⁹⁾ Implementation guide of the internal control framework of the Commission
eismae_aar_2023

plan will be developed based on the detailed results of the staff survey once available. For further details see annex 8.

Exceptions, non-compliance events and internal weaknesses: EISMEA registered nine non-compliance events and seven exceptions requests in 2023, each with an action plan for follow-up. To tackle repetitive causes of non-compliance events, a training on expenditure lifecycle was made obligatory for newcomers. For further details, see annex 8. The exception requests and non-compliance events are deemed to have no impact on assurance nor on the assessment of the efficiency and effectiveness of the ICP 12 related to policies and procedures.

Risk Assessment: In 2023, EISMEA executed two risk assessment exercises to identify and evaluate risks at various organisational levels. In the May assessment, the Agency reaffirmed a critical risk identified in the 2022 exercise, concerning the implementation of the EIC in full compliance with the basic act, and with the instrument of delegation. However, by the year's end, this risk was downgraded as the relevant Joint Action Plan was fully implemented. Consequently, the Agency's current risk register no longer includes any critical risks. The Agency created an action plan for all the identified risks and monitors its implementation.

Following the launch of the corporate tool CENTRICS used for risk monitoring, EISMEA adapted its internal procedures on risk assessment to reflect the changes in the process.

Follow-up audit recommendations

There are no critical or very important recommendations from IAS, ECA, or other supervisory body overdue for more than 6 months.

Besides the balance of strengths and weaknesses identified above at the level of ICP and ICC, EISMEA also considered the existence, the level of implementation as well as management's commitment to setting up and executing robust Action Plans related to any weaknesses identified. Furthermore, the relatively low results of the staff survey have been evaluated together with the positive areas observed through other sources of information.

EISMEA has assessed its internal control system during the reporting year and has concluded that it is effective and the components and principles are present and functioning well overall, but some improvements are needed related to ICP 1, 3, 4, 5, 9 and 14.

2.4 Conclusions on the assurance

This section reviews the assessment of the elements already reported above (in 2.1.1, 2.1.2, 2.1.3). It draws an overall conclusion to support the declaration of assurance and whether it should be qualified with reservations.

These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a comprehensive coverage of the budget delegated to the Director of EISMEA. This is confirmed by the statement of the Head of Department in charge of Risk Management and Internal Control in Annex 1

In its AAR 2022, EISMEA issued a reservation on reputational grounds concerning the late implementation and weaknesses affecting the governance and control systems of the investment component of the EIC accelerator scheme within the EIC Programme. EISMEA implemented all mitigating actions identified in the Joint Action Plan agreed with DG RTD and DG CNECT and communicated to DG IAS. The reservation is therefore lifted. The audit results, the internal control assessment and the control indicators do not reveal any significant weaknesses ⁽³⁰⁾ and do not fulfil any of the materiality criteria laid down in Annex 5 of this report. There are no open critical or very important audit recommendations. Reservations not issued in 2023 due to the application of the ‘de minimis’ threshold are presented in Annex 9.

In conclusion, based on the elements reported above, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

Recapitulative Table

Reservation Title	Financial Impact (in m EUR)		Residual error rate 2023*	Evolution
	2022	2023		
Late implementation and weaknesses affecting the governance and control systems of the investment component of the EIC accelerator scheme within the EIC programme	Non-quantified exposure (reputational reservation)	-	-	Lifted (solved)

⁽³⁰⁾ Although the control environment component has been identified as needing improvements, considering the transitory phase of the Agency (reorganisation and move to a new building occurring concurrently in Q3 and Q4), the extensive work done on implementation of the action plan related to DG IAS recommendations on the component during 2023 as well as management commitment to building a robust action plan following the results of the Staff Survey (already in progress), the internal control assessment concludes that the internal control system is effective with improvements needed.

2.5 Declaration of Assurance

Declaration of Assurance

I, the undersigned, Jean-David MALO

Director of EISMEA

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

Declare that the information contained in this report gives a true and fair view ⁽³¹⁾.

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

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

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

Brussels, 02/04/2024

(signature)

Jean-David MALO

⁽³¹⁾ True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG/Executive Agency.
eismae_aar_2023

3 MODERNISING THE ADMINISTRATION

3.1 Human resource management

Human resources activities in 2023 were focused on targeted initiatives aimed at creating the best workplace for staff. From May 2023, HR activities also incorporated preparations for the move of the Agency (in September 2023) and the reorganisation of the Agency following the transfer of some EIC activities from the agency back to the Commission. As such, the Agency worked to adapt its organisational structure and sought new ways to maximise the allocation of its reduced resources. As a result, several actions that were initially planned for 2023 (including activities relating to induction days, as well as planned awareness-raising sessions on ethical rules and training sessions on whistleblowing) needed to be postponed until 2024 (see Annex 10 for further details).

2023 Staff allocation and Full Time Equivalent (FTEs) reduction: In line with the agency's delegation act and specific financial statement (SFS), EISMEA started to reduce Full Time Equivalents (FTEs) as from 2023. The number of FTEs will go down from 423 FTEs in 2022 to 317 FTEs by 2027, representing a total reduction of 106 FTEs over the period ⁽³²⁾.

2023 saw a reduction of 15 FTEs (in addition to the 14 repatriated posts – see footnote 32). As a result, EISMEA decided to freeze the necessary vacant posts to enable it to absorb the reduction of 29 FTEs in 2024 while respecting the allocation per delegated programme and ensuring the balance between the operational activities (approximately 83%) and management and administrative staff (approximately 17%). This approach was applied to avoid terminating contracts of EISMEA staff but at the cost of an increased vacancy rate in the Agency. The reduction for the years to come is aimed to be done mainly by using vacant posts, complemented by a close collaboration between the six Executive Agencies on recruitment. This includes a commitment ⁽³³⁾ from all Executive Agencies to use the inter-agency job market as first selection procedure, sharing recruitment and selection planning in advance and organising an Inter-Agency Job Fair as of February 2024 (5-9 February).

Supporting the Agency in change: In 2023, the Agency revised its priorities, and HR activities to focus on the move of the Agency to a new building in September and its reorganisation in December due to the transfer of some EIC activities from EISMEA back to the Commission. The Agency organised training sessions to facilitate the transition to a dynamic collaborative space and established a listening space in the context of the reorganisation. Towards the end of the year, efforts were concentrated on filling open positions using the reserve lists.

⁽³²⁾ This calculation includes the transfer of 13 FTEs to the Commission. A 14th FTE has been cut to apply budget neutrality, reducing EISMEA's establishment plan of 2024 by one additional FTE.

⁽³³⁾ Joint Communication of 17 November 2023 signed by the Directors of the six Executive Agencies
eismae_aar_2023

At the end of 2023, EISMEA in collaboration with REA, introduced a series of wellbeing activities organised voluntarily by colleagues from EISMEA and REA including yoga, Pilates and salsa classes aimed at promoting a healthier and more productive workplace.

Shaping the agency's organisational culture: In 2023, the Agency focused on bringing its six values to life. Staff engaged and connected to EISMEA's core values through a year-long campaign of personal development workshops, lunchtime conferences and quizzes on integrity, client orientation, excellence respect, transparency and innovation.

EISMEA's internal communication and corporate culture activities continued focus on:

- i. **Establishing EISMEA as an outstanding employer:** EISMEA prioritised open communication with staff through informal coffee meetings with senior management and two hybrid Town Hall meetings. Three editions of EISMEA's internal magazine showcased personal, professional, and team stories. Work began on migrating EISMEA's intranet to the Commission's new platform.
- ii. **Building a vibrant and inclusive working environment:** A new "Meet & Greet" initiative enabled around 270 participants to meet in targeted gatherings designed to foster better mutual understanding. Agency-wide events included commemorations of the Swedish and Spanish presidencies as well as a special event to celebrate International Women's Day, providing opportunities to discuss gender equality.
- iii. **Establishing EISMEA as a beacon of innovation:** EISMEA's trainees visited an innovative company receiving funding from EISMEA's programmes, building a better understanding of the impact of innovation.

Implementing a modern HR service and developing a strong leadership: EISMEA implemented a 360° evaluation exercise for all managers from Heads of Sector to Director to provide a more comprehensive, inclusive, and detailed evaluation of each individual's performance. As a follow up, workshops and an away day for the management team enabled managers to work on the anonymised results to start moving forward towards a more interdependent culture, building trust within the group.

Increasing synergies between Executive Agencies: In 2023, the six agencies worked closely together to build efficiencies in talent acquisition, organising joint selection procedures and launching the second edition of the Interagency Women Talent Programme.

Promoting gender balance: Seconded middle managers are part of the seconding DGs' staff. As such the responsibility for making these appointments lies with the parent DG. Nevertheless, the Agency continued to work closely with the parent DGs in a joint effort to increase female representation in middle management positions, aiming to achieve better gender balance. The agency fully supports the target and provides parent DGs with a regular overview of the gender and geographical distribution within the middle management.

3.2 Digital transformation and information management

In 2023, the agency continued to operate in line with the Commission Digital Strategy ⁽³⁴⁾ (CDS) aligned with the following four of five CDS strategic objectives ⁽³⁵⁾: Highlights included:

Objective #1 (CDS) DIGITAL CULTURE: EISMEA improved its staff's digital skills by promoting the use of collaborative and interoperable tools such as Office 365 applications. EISMEA raised cybersecurity awareness of staff through information sessions (see below).

Objective #3 (CDS) BUSINESS DRIVEN DIGITAL TRANSFORMATION: EISMEA worked on its digital transformation roadmap to invest in digital modernisation, using innovative technologies with support from DIGIT's Digital Stakeholder's Forum and Digital Workplace.

Objective #4 (CDS) SEAMLESS DIGITAL LANDSCAPE – EISMEA uses the Dual Pillar Approach "Reuse, Buy, Build" as its guiding principle for all new IT initiatives. Preparations have begun to migrate the EISMEA Data Centre (LSU) to the agency's new building in SB34 to reinforce local and corporate architecture use cases.

Objective #5 (CDS) - GREEN, RESILIENT AND SECURE INFRASTRUCTURE – All active EISMEA staff have migrated to the WELCOME domain, allowing more secure collaborative work, including secure sharing of Sensitive Non-Classified (SNC) documents. Since changing building in September 2023, staff can access new IT equipment and meeting areas on site.

Information and IT security rules: EISMEA signed an updated Service Level Agreement with DIGIT S, for the provision of IT Security services including Risk, Policy and Compliance Management and Security Assurance and Testing, Centralised Local Informatics Security Officer. This reinforces actions in the IT security area based on IT Security Risk Management methodology and Governance Risk Compliance (GRC). EISMEA has updated the EIC IT security plan and started to update the security plan for the EEN IT Platform. Multi-Factor Authentication for SNC systems with EU Login has been enabled.

Data, information and knowledge management: EISMEA progressed well with its implementation of corporate principles for data governance for EISMEA's key data assets, having signed a Service Level Agreement with DIGIT Data Services covering the EC Data Platform services. Notably, 2023 saw EISMEA's continued transition to Microsoft 365 and other complementary corporate tools particularly in the areas of data visualisation, dashboarding, automated reporting and collaboration, improving its staff knowledge management literacy.

⁽³⁴⁾ [European Commission Digital Strategy - c_2022_4388_1_en_act.pdf \(europa.eu\)](#)

⁽³⁵⁾ Objective #2 Digital-ready EU policymaking is not included as it refers to the legislative process of policymaking in the policy cycle.

EISMEA has progressed with the transition to the SharePoint Online (SPO) ecosystem by the increased use of Teams and SPO for collaboration. In addition, the M365 Champions community and online training sessions have reinforced collaboration and knowledge sharing.

Data protection: EISMEA continued actively monitoring compliance with the Data Protection Regulation (EU) N° 2018/1725 and its data protection action plan, largely based on the Action Plan of the Commission (C(2018) 7432 final) and taking into account IAS audit recommendations on processing of personal data. 17 awareness and training opportunities (including European Data Protection Day events and specific sessions for newcomers) gathered close to 400 participants. EISMEA continued updating its internal procedures, in particular on Data Breaches, concluded agreements with joint controllers and processors (including with Commission Services) and continued to update and publish its records.

3.3 Sound environmental management

EISMEA promoted the EMAS corporate campaigns at local level and identified local environmental actions to support the Commission's commitment to implement the objectives of the Green Deal for its own administration, including becoming climate neutral by 2030. Highlights are listed below and further information is in annex 10:

- In September, the Agency moved to a modern, energy efficient and sustainable building with a dynamic collaboration workspace and green technological solutions.
- The new building increased the number and use of VC meeting rooms, fostering hybrid working methods and contributing to achieving carbon neutrality by providing valid alternatives to air travel.
- EISMEA raised staff awareness on digital pollution through a [‘digital frugality’ campaign across all 6 Executive Agencies \(europa.eu\)](#) in January and a training session as part of Autumn Green Week 2023.

3.4 Examples of economy and efficiency

Increasing the use of digital platforms for HR services to ensure a more efficient and effective use of the administrative budget: EISMEA increased the use of European Commission corporate digital scanning solution to foster the digitalisation and archiving of relevant HR files, minimising the need to store documents in physical archives.

Increasing the use of collaborative IT tools to ensure that data becomes more searchable and shareable among staff: EISMEA increased the use of collaborative applications (see section 3.2 above). For example: EISMEA's Risk Register allows collaborative data entry and presentation; dashboards developed with Microsoft Power BI enable dynamic and convenient data visualisation, aggregation, and filtering.