



2019

Annual Activity Report

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



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THE EASME IN BRIEF

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

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

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

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

The Agency has its own legal identity and its tasks are specified in the Act of Delegation⁴. This means that EASME implements the delegated programmes autonomously with the Director acting as Authorising Officer by Delegation (AOD). EASME, like the other Executive Agencies, implements the EU programme budgets under direct management (Article 62(1)a and 69(2) of the Financial Regulation). To this end, the Agency mainly awards grants through open calls for proposals while a small, but increasing, share of the programmes' budgets is also implemented through procurement contracts.

The Agency has its own administrative budget for which it receives from the EU an annual subsidy (in 2019: EUR 48,6 million⁵). The administrative budget covers the running costs of the Agency, mainly staff expenditure, office related costs, IT and other

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

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

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

⁴ Commission Decision C(2013)9414 of 23 December 2013 delegating powers to the Executive Agency for Small and Medium-sized Enterprises with a view to performance of tasks linked to the implementation of Union programmes in the field of energy, environment, climate action, competitiveness and SMEs, research and innovation and ICT, comprising, in particular, implementation of appropriations entered in the general budget of the Union as amended by Commission Decision C(2014)4636 of 11 July 2014, Commission Decision C(2014)6944 of 2 October 2014, Commission Decision C(2015)651 of 12 February 2015, Commission Decision C(2016)3684 of 17 June 2016, Commission Decision C(2019)3353 of 30 April 2019.

⁵ Commitment appropriations authorised.

services. The EASME's Director is the authorising officer (AO) for this budget.

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

In addition to the above-mentioned stakeholders, the Agency works closely with other partners such as the Common Support Centre for Horizon 2020 (since June 2019 Common Implementation Centre), the Research Executive Agency (REA) for a number of logistic and administrative support services and an external contractor for certain tasks under the LIFE programme.

By the end of 2019, the Agency counted 472 staff members⁶ managing almost 3800 projects with an operational budget of EUR 1.7 billion⁷.

In 2019 EASME's performance over the period 2014-2016 was evaluated by the Commission. The study positively assessed the effectiveness of the Agency in achieving its objectives. It concluded that overall, the actions of the Agency have allowed the Commission to pursue its political objectives, while allowing economies of scale and savings, producing synergies and improving its performance as the measurement of key performance indicators demonstrate.

Areas for which there is still room for improvement were identified as: policy feedback, faster procedures, synergies between programmes, simplification and career development for staff.

Since 2016 a number of initiatives have been taken to tackle issues in precisely these areas including discussions with partner DGs on improving policy feedback, a development plan following the 2018 staff survey, and the creation of thematic Communities of Practice. Further responses to these challenges will need to be addressed as part of the reflections on the future of the executive agencies.

⁶ 472 statutory staff. In addition, 15 trainees, 40 contractors and 16 interim staff

⁷ Commitment appropriations authorised.

EASME: 2019 IN NUMBERS

WHAT DO WE DO?

The EU's Executive Agency for Small and Medium-sized Enterprises (EASME) brings EU funding to innovative projects that create jobs and growth, protect the environment and work towards sustainable development.

Our job is to make sure that EU funding reaches the right people, is properly spent, has a concrete impact on the ground and makes a meaningful difference to the lives of EU citizens.



Over **15** years of expertise and excellence.



From **2014** to **2020**:



Managing parts of **4** programmes

- Horizon 2020
- COSME
- LIFE
- EMFF



€ 11 bn of funding opportunities



Managing over **3700** projects



Over **500** committed people

A TOP PERFORMING AGENCY

At the end of 2019, EASME managed 3,796 ongoing projects with a budget of € 1.7 billion. We hold a major responsibility towards our stakeholders and therefore aim to be a client-centred organisation that provides high quality services to applicants, beneficiaries and intermediaries.

Programme Implementation



of grants were signed within the time to grant



of payments were made within legal deadlines

Budget Implementation

OPERATIONAL

100 % Commitments

100 % Payments

ADMINISTRATIVE

100 % Commitments

90 % Payments

(remaining 10 % transferred to 2020)

Client Satisfaction & Interaction

We can measure client interaction and satisfaction through feedback on the events we organise and via our website and social media channels.



Overall participant satisfaction rate of events organised by EASME



Total EASME website visits



Total followers on EASME-managed Twitter accounts



TOP EMPLOYER

Our people are our biggest asset. We therefore strive to create an attractive workplace built on modern and participative working methods where colleagues are given autonomy, responsibility, trust and support.

Human Resources



43,2 % of women in management positions
5,41 % of staff turnover*
4,2 % growth in EASME headcount*
*since 2018

Staff Engagement

Colleagues are helping to drive change at EASME and create a place where they are proud to work. With the motto "Together We Think Bigger", staff is innovating the Agency in areas such as equal opportunities & diversity, greening, smart commuting, career development and knowledge sharing.

70 actions, outcomes and events
71 % of staff engagement
25 % of staff actively involved in bottom-up working groups

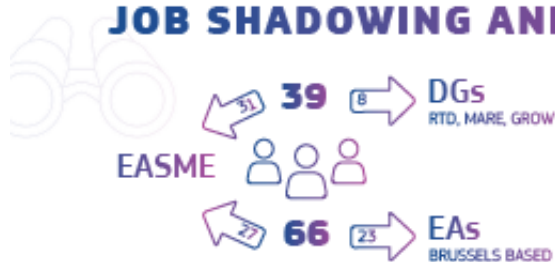
Staff Leadership & Development

EASME ACADEMY

EASME has created a **continuous learning culture**, initiatives to promote mobility and special training to increase efficiency and staff development.

99 training courses given in-house
3775 EC training courses attended by EASME staff
2592 total days of training by EASME staff

JOB SHADOWING AND MOVES



13 vertical mobility
44 horizontal mobility
39 participants for shadowing with DGs
66 participants for shadowing inter agency

MANAGERIAL EXCELLENCE

Managers achieved the following:

100 % attended management seminars
86 % completed the voluntary 360° degree feedback exercise
100 % adopted and signed a Management Charter promoting trust, transparency and support to staff

ACHIEVEMENTS

EASME is the first Commission agency to **subsidise commuting by bike** by offering a financial contribution for those cycling to work.

EXECUTIVE SUMMARY

The Annual Activity Report is a management report of the Director of EASME to the College of Commissioners. It is the main instrument of management accountability within the Commission and constitutes the basis on which the College takes political responsibility for the decisions it takes, as well as for the coordinating, executive and management functions it exercises, as laid down in the Treaties⁸.

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

The Agency's 2019 Annual Work Programme (AWP) outlined the following three priorities:

- to ensure EASME is a top-performing Agency: EASME should: deliver on its ambitious targets to achieve fast programme implementation, sound financial management and a well-functioning internal control system; launch the enhanced European Innovation Council (EIC) – pilot; and respond to recommendations of the external evaluation of the agency and the client-satisfaction survey to develop measures to improve its service to applicants, beneficiaries and experts. At the same time it should simplify its procedures to become even more lean and efficient.
- to make EASME a top employer, i.e. reinforcing the Agency as a modern and attractive organisation through staff engagement, business transformation and social dialogue.
- to prepare the Agency for its next mandate: the Agency should have a strong, coherent portfolio in 2021-2027, and the means to deliver on it.

Effective programmes

In 2019 EASME showed a strong performance in terms of achieving Key Performance Indicators and ensuring high quality output across all its programmes.

Thanks to the **COSME programme**, thousands of small businesses were able to **access new markets** in 2019. Initiatives including the Enterprise Europe Network supported 7000 companies in finding partners for joint business and innovation activities, and in acquiring crucial knowledge and market intelligence to internationalise. Promoting such services, the agency's coordination of a [targeted communication campaign](#) (focussing in 2019 on Austria and Germany) reached 4 million contacts via traditional media and more than 17 million impressions on social media.

In addition, COSME opened up **new opportunities for small businesses to boost their competitiveness** through calls for tender in strategically important policy domains such as digital cities, intellectual property, industrial food policy and tourism. It also **encouraged entrepreneurship** among Europe's SMEs. The [Erasmus for Young Entrepreneurs \(EYE\)](#) initiative went from strength to strength, with 2100 entrepreneurs getting involved in an exchange in 2019. While projects such as [Early Warning Europe](#) demonstrated effective ways to prevent insolvency by providing support and advice to SMEs in distress.

Thanks to the introduction of a series of corrective measures, the **residual error rate**

⁸ Article 17(1) of the Treaty on European Union.

for the COSME programme was reduced from 5.45% to 1.59%⁹.

Under the **Horizon 2020** programme "Innovation in SMEs", an analysis of **cluster-facilitated actions** (2015-2019) showed that more than 1,500 single SMEs and over 150 SME-led consortia across 36 countries had benefitted. These SMEs have received EUR 26.2 million in funding and services, often resulting in further investment.

2019 saw the successful launch of the **Enhanced EIC Pilot** and the **EIC accelerator** (replacing phase 2 of the SME Instrument with "blended finance" - a combination of grants and equity). Other changes to the programme included the introduction of **jury interviews** for EIC Pilot candidates and the **extension of coaching services** to SMEs from Future and Emerging Technologies (FET) Open and Fast-Track to Innovation (FTI) programmes, as well as researchers.

EASME embraced all of these changes while maintaining a solid performance as highlighted in the Key Performance Indicators. The [impact report](#) - summarising five years of implementation of the EIC Pilot SME Instrument - demonstrated the success of the programme to date. It showed that 5000+ SMEs were funded, with a success rate (8% for phase 1 and 5% for phase 2) comparable to the selection rates of private investment funds. For phase 2 companies, around 75% saw an increase in their operating revenue and 67% in their employee count.

Under Horizon 2020 Societal Challenge 'Secure, clean and efficient energy', the Agency co-organised the **European Sustainable Energy Week 2019** (EUSEW) in close cooperation with DG ENER. It attracted 3195 onsite participants in four plenary sessions and a record number of 92 policy sessions. It also saw 67 organisations hosting their stand at the Energy Fair and **more than 400 Energy Days taking place in 38 countries**.

Under Societal challenge 'Climate action, environment, resource efficiency and raw materials' EASME contributed to the first ever **R&I Days 2019** as co-organiser of seven policy sessions "Cities as Innovation Labs", "Biodiversity", "Let nature be the solution", "It's a BioWorld", "Future of plastics", "Climate science session" and the strategic planning co-design session "Together we are cleaner, industry for zero waste economy" in close cooperation with DG RTD. EASME also produced its **bi-annual report** describing the achievements and results of all raw materials projects, including figures on promising innovations and on the coverage and participation in the programme.

The LIFE programme's **LIFE Awards** recognised the most innovative, inspirational and effective LIFE projects. The winners were chosen for their contribution to environmental, economic and social improvements, paying special attention to their innovation, replicability, relevance to policy and cost effectiveness. The four winners came from Italy (Nature category), Spain (Environment category), Greece (Climate Action category) and Cyprus (Citizens' prize).

The European Maritime and Fisheries Fund (EMFF) explored synergies with other programmes including COSME, Horizon 2020 and LIFE at multiple events to provide an added value for potential beneficiaries. Events included **Ecomondo, Blue Invest** and the **European Maritime Day 2019**, where potential applicants were also introduced to the Enterprise Europe Network and their services to help SMEs innovate and grow internationally.

An efficient agency

⁹ Following an European Court of Auditors' recommendation to the Commission related to the methodology of the calculation of the error rate. The residual error rate for COSME amounts to 1,24% by applying the current approach. Please refer to section 2.1.1 for more details.

As regards the Agency's **key performance indicators**, the Agency achieved most of the targets set in the 2019 work programme. EASME reached excellent results for budget implementation (100% of available budget committed), as well as for the payment times (100% of all payments within legal deadlines) positioning the Agency as a top performing Commission service. The time to grant targets were reached for most of the programmes delegated to the Agency¹⁰. The error rate for the COSME programme has been reduced from 5.45% to 1.24%¹¹, bringing it below the materiality criteria of 2%. Finally, the Agency does not have any critical new or outstanding audit recommendations.

Internally, EASME continued to undertake significant **simplification efforts**, particularly in the area of **missions**, introducing new guidelines to help ensure a shorter approval flow as well as a lower environmental impact. In addition, a new **recruitment manual** developed in 2019 based on the principles of: **transparency and fairness, effectiveness, and efficiency**, will also simplify the recruitment process.

Looking to the future, EASME held intense discussions with all Executive Agencies to reflect on ways to **enhance synergies and efficiencies** in the field of horizontal functions (HR, IT for example). As a result of the exercise, two joint notes were sent to the European Commission's central services (DG HR, DG BUDG, Secretary General), including the analysis of identified business processes and potential human resource savings for the future delegation period.

EASME as a modern and attractive workplace

EASME's 2018 staff survey revealed that **86% of staff considered EASME to be an attractive workplace**. This represented an increase of 20% from the 2016 survey and showed that EASME's work in creating a bottom-up, listening culture was paying off. It also showed that **79% feel that listening to staff is important** (+ 29% compared to 2016); **79% feel that their opinion is valued** (+ 13% compared to 2016) and **86% feel that EASME encourages collaboration and involvement with staff** (+18% compared to 2016).

In 2019, the agency worked to build on these positive results and further improve through a **staff survey development plan** built on feedback from staff, management and HR and supported by a communication campaign to enable staff to follow progress.

In parallel, EASME's **Sounding Board** - the umbrella under which staff work together to develop new solutions in fields that matters most to staff - continued its work. Around 25% of staff are involved in Sounding Board initiatives. Results in 2019 included EASME becoming the **first Commission agency to subsidise commuting by bike** by offering a financial contribution for those cycling to work. The Sounding Board was behind more than **15 staff engagement events** in 2019 including a Sounding Board Fair, lunchtime sessions on issues including gender balance and sustainability, and **DuoDay** where 11 staff members welcomed persons with disabilities to the Agency to work side by side with them for a day.

EASME's **Get Inspired Programme** of TED-style talks from charismatic guest speakers brought fresh perspectives and new ideas generating renewed energy, inspiration and motivation from staff.

While on the ground, over 100 staff took part in **job shadowing** exercises to get fresh perspectives from colleagues within the agency and parent DGs.

An **Away Day** gave the opportunity to bring staff together, highlight achievements and discuss upcoming priorities. The agency also provided regular information to staff

¹⁰ Except for the EIC Pilot Phase I, where the limits of 3 months is exceeded only by 9 days.

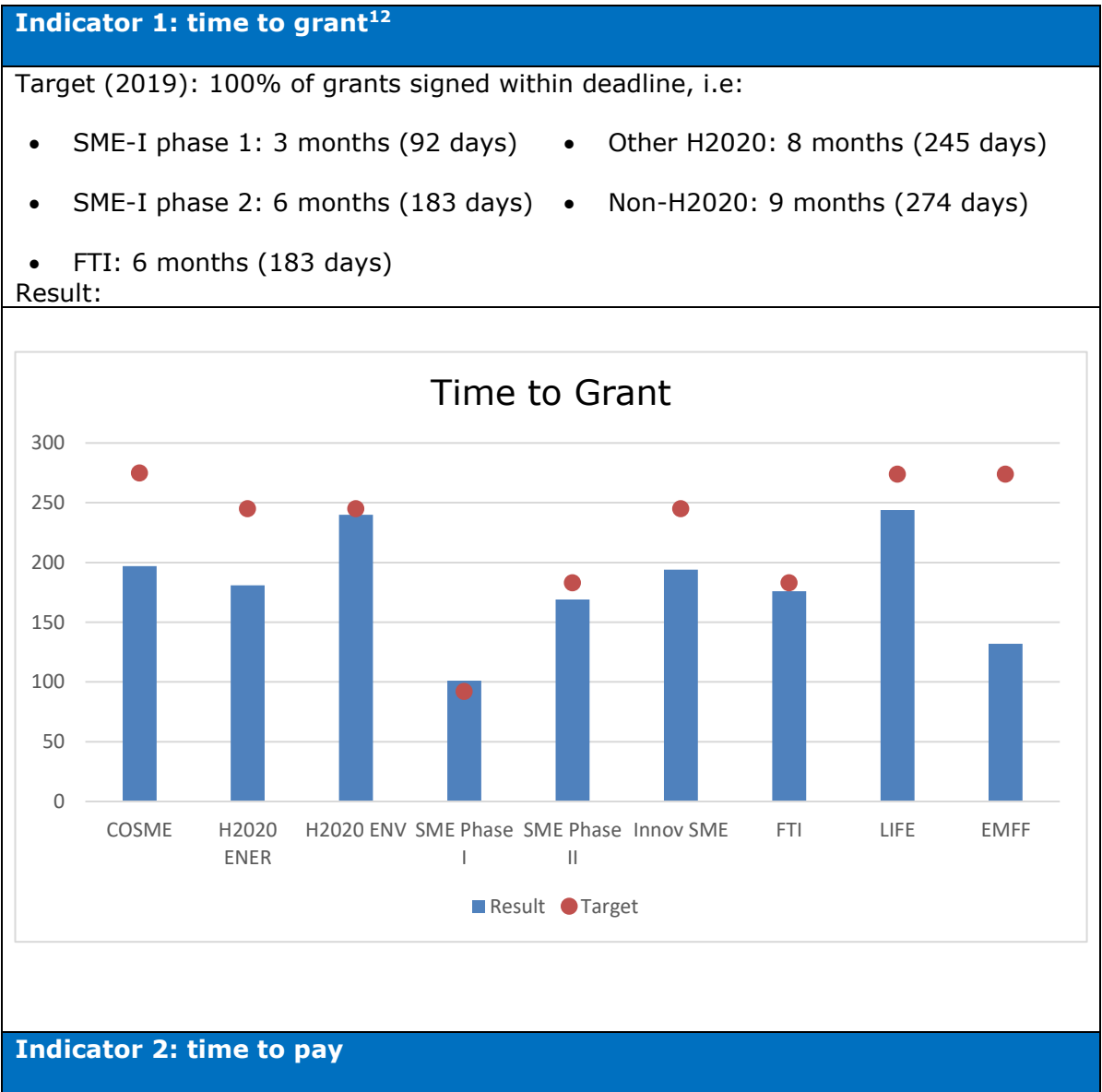
¹¹ Refer to footnote 9

including: a weekly newsletter (42 issues), monthly digital magazine (8 issues), weekly videos summarising the management meetings (22 videos), daily articles on the intranet.

Staff polls (eight times), allowed for valuable staff feedback on key priorities and issues. While, more formally, 2019 saw regular meetings between EASME’s Director, Staff Committee and Trades Unions leading towards the drafting of a **Memorandum of Understanding** between all EA’s and Trade Unions (expected to be further developed and finalised in 2020).

B) Key Performance Indicators (KPIs)

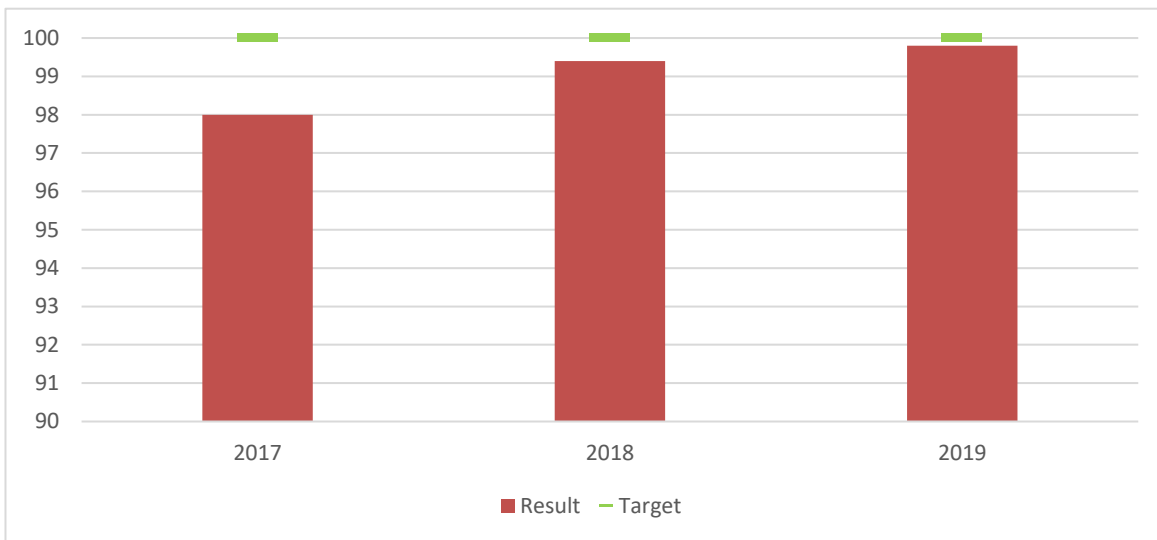
In 2019, the Agency continued to ensure an efficient delivery of programmes. In performing the tasks delegated to it, the Agency aims to perform at its best. The following indicators measure the most critical aspects of the Agency's performance. The target time to grant (number of calendar days shown as the target in the table below) is calculated as the time between the call closing date for submission and the date of signature of all grant agreements (or the last one).



¹² The results in the table represent the average time to grant.

Target (2019): 100% of payments within legal deadlines

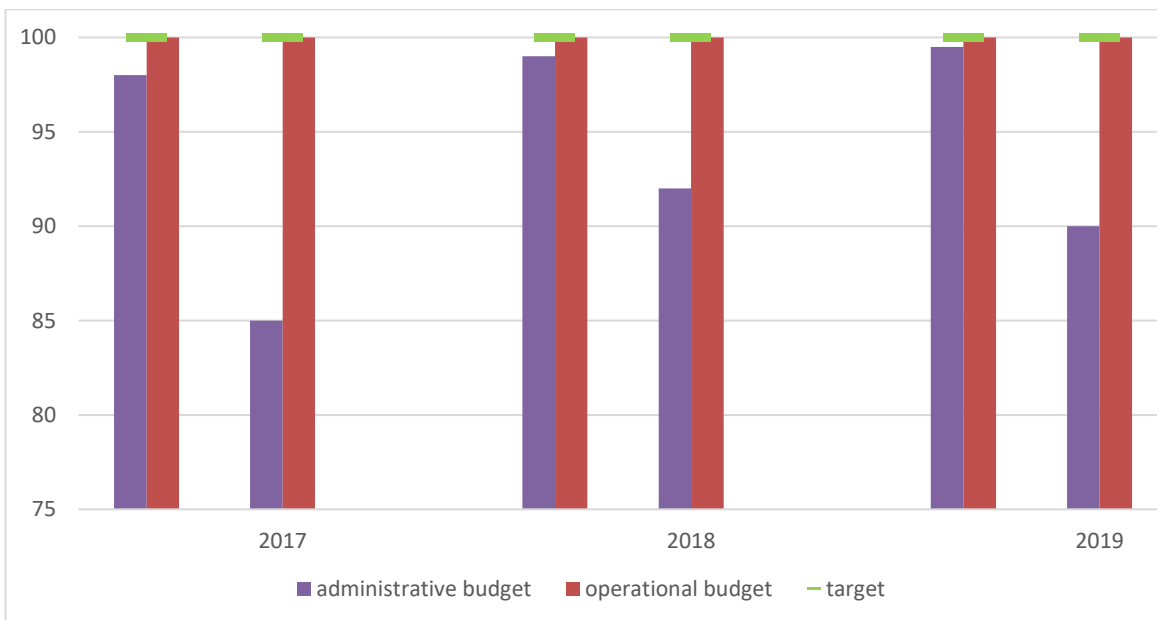
Result:



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

Target (2019): 100% (commitments and payments) for operational and operating budget

Result¹³:



¹³ Per year, results on the left represent commitments and results on the right represent payments.

Indicator 4: residual error rate in financial transactions

Target (2019): IEE II, Eco-inno, EEN, COSME, LIFE, EMFF: less than 2% of the total budget for grants per programme; H2020: as close as possible to 2% (within the range of 2-5%) (as per H2020 audit strategy)

Result¹⁴:

	2017	2018	2019
CIP-IEE II	[2,7 - 2,8]	[2,57-2,62]	[2,68-2,72] 15
CIP-Eco-I	[2,5 - 7,5]	[2,07-6,00]	[1,98-5,75]
CIP-EEN	1,6	1,66	N.a. ¹⁶
H2020	2,2	2,45	2,99
COSME	N.a.	5,45	1,59 ¹⁷
LIFE	N.a.	0,36	0,91
EMFF	N.a.	N.a	0,81

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

Target (2019): None

Result:

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

The average **Time To Grant** (TTG) for all programmes managed by the Agency was within target, with a small exception for the EIC pilot Phase 1, where the average time to grant stood at 101 days as opposed to 92 days. In general, all programmes managed by

¹⁴. Following a European Court of Auditors' recommendation to the Commission related to the methodology for the calculation of the error rates, EASME recalculated the error rates dividing the total error in the audited population by the total costs tested during audit. Using this new approach, the residual errors rates by the end of 2019 for the current programmes. These rates are disclosed in this table. This recalculation was performed for COSME, EMFF and LIFE since the beginning of the respective programmes, for all audit reports closed by the end of 2019. For H2020, please refer to section 2.1.1 for more details on the methodology applied.

Please note that the error rates by using the previous method (calculated by dividing the total error in the audited population by the costs accepted by EASME) amount as follows : COSME: **1,26 %**; LIFE: **0,61%** and EMFF **0,78%**. For H2020, it was as follows: the residual error rate for the Research and Innovation family at 1.83% and at 1.99% when taking into account the draft audit reports. The residual Error Rate derived from EASME participation only was at 2,24%, and at around 2.66% when taking into account the draft audit reports.

No recalculation is done for the Legacy Programmes.

¹⁵ The error rates for the IEE II and Eco I are given in a range to reflect the impact of companies' bankruptcy cases.

¹⁶ In 2018 the Agency finalised the last audits of this programme and implemented the related audit findings

¹⁷ Includes COSME actions and EEN actions

the Agency, showed a positive trend.

Regarding **Time To Pay** (TTP) EASME processed 2.000 more payments in 2019 compared to 2018 (from 5.800 to 7.800 transactions) for the operational budget alone. At the same time, the proportion of payments made within legal deadlines (or Time to Pay - TTP) improved from 99.4% to 99.8%.

With regard to the **budgetary execution**, the operational budget was executed at 100% both in commitments and payments and the performance on the administrative budget remained at a high level despite a substantial increase in the budget compared to the previous year (+ 11%). While the majority of payments on the administrative budget were carried out in 2019, a small number of payments are foreseen to be paid in early 2020, in accordance with the financial regulations.

With regard to the legacy programmes CIP Intelligent Energy Europe II and CIP Eco-Innovation, their multi-annual residual error rates remain above 2%, respectively in the best and worst scenario at 2.68-2.72%¹⁸ and 1.98-5.75% by the end of 2019. However, as both programmes fall within the new "de minimis" threshold for financial reservation (introduced this year at EC level)¹⁹, the Agency has lifted both reservations. For the COSME programme, the reservation was also lifted, as the multi-annual residual error rate fell below 2%. All other programmes remain **within target for the residual error rate in financial transactions**.

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

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

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

To ensure the achievement of policy and management objectives, the Commission has adopted a set of internal control principles, based on international good practice. The financial regulation requires that the organisational structure and the internal control systems used to implement the budget be set up in accordance with these principles. EASME has assessed its internal control systems during the reporting year and has concluded that it is effective and that the components and principles are present and functioning as intended. Nevertheless, while some principles are functioning overall, some improvements are needed to rectify minor deficiencies²⁰.

In addition, EASME 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

¹⁸ Please note that for CIP IIE 2, there were no payments made in 2019

¹⁹ Quantified AAR reservations related to residual error rates above the 2% materiality criteria are deemed not substantial and are no longer needed for segments representing less than 5% of the DG's total payments and with financial impact below 5 million'

²⁰ Please refer to Annex 11

objectives. Please refer to Section 2.1 for further details.

As mentioned above, as regards legality and regularity of the transactions, EASME considers for all current programmes that the cumulative residual error rates fall within the established target range²¹, both by applying the previous and the new methodology as recommended by ECA as regards the calculation of the error rates. These error rates must still be treated with care. The programmes are in any case multi-annual, so the error rates, and especially the residual error rate, must be considered over time. As regards the legacy programmes, both programmes CIP Intelligent Energy Europe II and CIP Eco-Innovation fall within the new “de minimis” threshold for financial reservation.

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

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director, 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 DGs on management matters, also the main elements of this report and assurance declaration, including the reservations envisaged, have been brought to the attention of the Agency's Steering Committee and to the parent DGs' Directors General, who have taken these into consideration in their reporting to Executive Vice-President for the European Green Deal, Mr. Frans Timmermans; Commissioner for Internal Market, Mr Thierry Breton; Commissioner for Innovation, Research, Culture, Education and Youth, Ms Mariya Gabriel; Commissioner for Energy, Ms Kadri Simson; Commissioner for Environment, Oceans and Fisheries Mr Virginijus Sinkevičius; Commissioner responsible for Digital Economy and Society Ms Mariya Gabriel (until 30 November 2019); Commissioner responsible for Research, Science and Innovation Mr Carlos Moedas (until 30 November 2019); Commissioner responsible for Internal Market, Industry, Entrepreneurship and SMEs Ms Elżbieta Bieńkowska (until 30 November 2019); Commissioner responsible for Climate Action and Energy Mr Miguel Arias Cañete (until 30 November 2019); and Commissioner responsible for Environment, Maritime Affairs and Fisheries Mr Karmenu Vella (until 30 November 2019).

²¹ For H2020,a cumulative residual error rate within a range between 2% and 5% and at the same time as close as possible to 2%, without necessarily expecting it to be under 2% according to the target ranged established in the Financial Statement. For the other programmes, the target for the residual error rate is set at 2%.

1. IMPLEMENTATION OF THE AGENCY'S ANNUAL WORK PROGRAMME - HIGHLIGHTS OF THE YEAR.

The Agency's 2019 Annual Work programme (AWP) was adopted by the Agency's Steering Committee on 21 June, 2019. The work programme lists the main activities and outputs of the Agency that contribute to the achievement of the objectives as defined by the parent DGs. This part highlights the key achievements under the different programmes delegated to the Agency. Exhaustive reporting on the achievement of the targets as planned in the AWP can be found in annex 12.

1.1 Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME)

The Programme for the Competitiveness of Enterprises and Small and Medium Enterprises (COSME)²² – is the Union's programme to strengthen the competitiveness and sustainability of the Union's enterprises to encourage an entrepreneurial culture and to promote the creation and growth of Small and Medium-sized Enterprises (SMEs). These objectives²³ are met by:

- improving access to finance for SMEs in the form of equity and debt;
- improving access to markets, particularly inside the Union but also at global level;
- improving framework conditions for the competitiveness and sustainability of Union enterprises, particularly SMEs, including in the tourism sector;
- promoting entrepreneurship and entrepreneurial culture.

The 2019 COSME Work Programme was adopted on 5 December 2018²⁴. The 2019 budget amounts to EUR 350 million (including the financial instruments). The COSME Work Programme was revised on 20 August 2019²⁵.

In 2019, EASME **reached most of its objectives for COSME as defined in its Annual Work Programme.**

- committed **100% of the delegated funds** and made **100% of the COSME payments** within the legal deadlines.
- published **11 COSME calls for proposals**, out of 14 foreseen in the Work Programme 2019. The call on EU SME Centre in China will be published in 2020 since the draft text of the call was sent to EASME in December 2019. Calls for proposals GRO/SME/19/B/05 "Co-financing of public procurement of innovation consortia" and GRO/SME/19/B/06 "Creating links for the facilitation of public procurement of innovation" were cancelled at the request of the parent DG.
- launched **16 calls for tenders** supporting policy initiatives of the European Commission.

²² Regulation (EU) No 1287/2013 of the European Parliament and of the Council of 11 December 2013 establishing a Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME) (2014 - 2020) and repealing Decision No 1639/2006/EC.

²³ The implementation of the objective: improving access to finance for SMEs in the form of equity and debt is not delegated to the Agency

²⁴ Commission Implementing Decision C(2018)8098 final of 5/12/2018 on the financing of the Programme for the Competitiveness of Enterprises and Small and Medium-Sized Enterprises and the adoption of the work programme for 2019.

²⁵ C(2019) 6039 final

- The **error rate** for the COSME programme was reduced from 5.49% to 1.59 %²⁶.
- The **average Time to Grant** was well below the target TTG of 274 days.

Actions related to the achievement of the following objectives are delegated to Agency:

- **improving access to markets, particularly inside the Union but also at global level**

EASME managed the Enterprise Europe Network and complementary initiatives such as the International IP SME Helpdesks. In 2019, COSME-funded projects supported 7000 companies in finding partners for joint business and innovation activities, and in acquiring crucial knowledge and market intelligence to internationalise.

Internal survey data from Network clients in 2019 showed that companies supported by the Network expected significant improvements to their market position (90%) and to the quality of their products or services (81%). Well over half the Network's clients also expected improvements in their competitiveness and a positive impact on jobs.

Accessing international markets

Portuguese company [Last2Ticket](#) brought their event management technology to new markets through support from the **Enterprise Europe Network**. The Network helped redesign the company's business model to propel them towards international expansion. They also helped them apply for funding and participation in EU programmes such as Ready2Go in the USA. With the help of the Network, Last2Ticket reached annual revenue increases of 25%, is present in 8 countries in Europe and Asia, and employs 13 highly skilled people.

- **improving framework conditions for the competitiveness and sustainability of Union enterprises, particularly SMEs, including in the tourism sector**

EASME managed calls for proposals, calls for tenders and the organising of events including:

Five calls for tender in policy domains including digital cities, intellectual property, industrial food policy and tourism.

Three conferences: digital cities (5 June); skills for smart industrial specialisation and digital transformation (19 June); resource efficiency (25-26 September). More than 800 participants from business, academia and policy makers presented results of COSME funded projects, identified priorities and specific measures for EU intervention and shared good practices. Key input from the events will be used to draft calls for proposals funded by the COSME Work Programme 2020.

Thanks to the call GRO/SME/19/C/077 (boosting capacity of tourism SMEs through transnational cooperation and knowledge transfer), **EU SMEs and business organisations will receive up to EUR five million to boost sustainable tourism development** and improve the capacities of tourism SMEs through transnational cooperation and knowledge transfer

- **promoting entrepreneurship and entrepreneurial culture**

In 2019, the [Early Warning Europe](#) project reached its third year of implementation. Over this period, it has supported more than 3,500 companies in distress. The project's results are directly relevant to the implementation of Directive (EU) 2019/1023 on preventive restructuring frameworks, on discharge of debt, and on measures concerning restructuring and insolvency.

²⁶ Following a European Court of Auditors' recommendation to the Commission related to the methodology of the calculation of the error rate. The residual error rate for COSME amounts to 1,24% when applying the previous approach. Please refer to section 2.1.1 for more details.

Thanks to [Erasmus for Young Entrepreneurs](#) (EYE), 2100 entrepreneurs participated in an exchange in 2019. Via this initiative, COSME has contributed to increasing substantially the chances for success for participants who have demonstrated that they have a sound business idea and are ready to set up a business. EYE has also given host entrepreneurs a unique experience to get a fresh perspective - from an entrepreneur from another European country - on how they run their business.

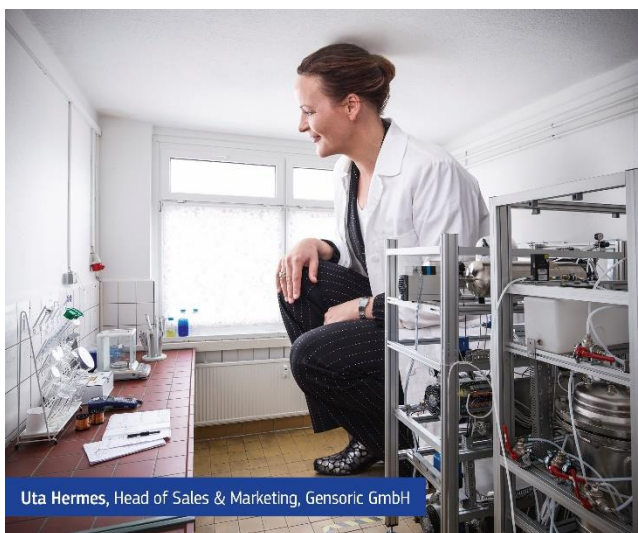
In 2019, the COSME-funded study **“Evaluation of Support Services for Would-be Entrepreneurs and Newly Established Businesses” (2018/017)** recommended the creation of a distinct profession ‘Business support adviser’ to help to define sets of skills and competences to optimise a career path

- **communication activities**

EU Open for business campaign 2019 – promoting EU support services for SMEs in German regions and Austria

Since 2015, this **multi-national communication campaign** has been guiding SMEs towards EU-funded growth opportunities at local level, with a focus on COSME. In 2019, the campaign involved **media outreach and a series of info days** for business intermediaries in Germany and Austria. Entrepreneurs who had benefitted from EU programmes became campaign ambassadors and speakers at the Info Days with support from local Enterprise Europe Network partners.

The Info Days attracted 300 SME support organisations and over 100 Network advisers and EU experts, achieving a satisfaction rate of 85%. The **media campaign reached almost 4 million contacts and 17,7 million impressions on social media**. Enterprise Europe Network partners in both countries saw an increase in web visits and social media followers as well as a remarkable increase of direct contacts from entrepreneurs in Austria.



Feeling the need
to expand your business?



Photo: EASME

For further communication examples see annex 12

1.2 Framework Programme for Research and Innovation (Horizon 2020)

'Horizon 2020'²⁷, the EU's funding programme for research and innovation aims to stimulate the economy and secure the science and technology base and industrial competitiveness for the future, contributing towards a smarter, more sustainable and more inclusive society. It promises more breakthroughs, discoveries and world-firsts by taking great ideas from the lab to the market.

1.2.1 Innovation in SMEs

The Agency is entrusted with the part of Horizon 2020 that is related to the specific objective "Innovation in SMEs" of "Part II Industrial Leadership": *stimulating sustainable economic growth by increasing the levels of innovation in SMEs, covering the multiplicity of needs throughout the innovation cycle for all types for innovation, thereby creating more fast-growing, internationally active SMEs.*

In 2019, the Agency published all calls for proposals under Horizon 2020 "Innovation in SMEs" as planned in the 2019 Work Programme. One call for tender was not published as planned in 2019 (IP pre-diagnosis) as EASME did not receive the tender specifications.

In 2019, the Agency performed an analysis of **Cluster facilitated actions** from previous years. Between 2015 and mid-2019, SMEs directly received EUR 26.2 million in funding and services. The action supported more than 1,500 single SMEs and over 150 SME-led consortia across 36 countries covering 27 of the then 28 EU Member States (and nine Horizon 2020 associated countries).

A good illustration of the impact generated by the Innovation in SMEs cluster actions is **Geosat**, a French company specialised in earth measurement. It raised EUR 10 million of equity right after the implementation of the grant.

The programme attracted 29 proposals to the "Open Innovation Network" call and 19 proposals to the "Peer learning of innovation agencies" - an all-time record.

In September, the Agency surveyed 800 Innovation in SMEs beneficiaries covering actions from 2014-2019. Out of the 100 responses collected, 73% stated that they do not have a comparable funding opportunity at national/regional level; 65% mentioned that they would not have been able to launch such an activity without the programme. Beneficiaries also highlighted the usefulness of the programme's actions to: create a sustainable impact for companies (83%), cooperate with other European partners (81%) and support their regional business ecosystem (77%).

In 2019, Key Account Managers of the Enterprise Europe Network helped 1295 SME beneficiaries of the EIC (SME Instrument, FET-Open and Fast Track to Innovation) find suitable business coaches and implement their EU project successfully.

1.2.2 European Innovation Council Pilot-scheme

In 2018 the European Commission launched the European Innovation Council (EIC) pilot to strengthen breakthrough innovation and boost high-growth companies coming out of Horizon 2020. It brings together and revamps three schemes: Fast-Track to Innovation,

²⁷ Regulation (EU) No 1291/2013 of the European Parliament and of the Council of 11 December 2013 establishing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) and repealing Decision No 1982/2006/EC and Council Decision of 3 December 2013 establishing the specific programme implementing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) and repealing Decisions 2006/971/EC, 2006/972/EC, 2006/973/EC, 2006/974/EC and 2006/975/EC.

Future and Emerging Technologies (FET) Open, and the SME-instrument. In 2019 the Enhanced EIC Pilot introduced the EIC Accelerator that offers companies access to blended finance including both grant and equity funding. To implement the EIC Accelerator, the operational responsibility over its budget was transferred to DG RTD, while the Agency is still running related evaluation and project management activities. To better reflect the budgetary responsibilities, the EIC Accelerator activities (cut-off of 9 October 2019) will be fully covered under the Annual Report of DG RTD.

The Agency managed under the umbrella of the EIC-pilot, the EIC Accelerator Pilot (SME Instrument), Fast Track to Innovation scheme as well as coaching and business acceleration services.

The EIC Accelerator Pilot (SME instrument)

The EIC Accelerator Pilot (SME instrument) supports high-risk, high-potential SMEs to develop and bring to market new products, services and business models that could drive economic growth.

Call management

In 2019 seven cut-offs were completed, three phase 1 and four phase 2. The last one introduced the blended finance option. **16,279** proposals were submitted in total; **8,885** under phase 1, **5,542** under phase 2 and **1,852** proposals under the new EIC Accelerator cut-off.

The main changes under the EIC Enhanced Pilot are:

- Turning Phase 2 into EIC Accelerator offering blended finance: grants + equity. EIC Fund manages equity part while the Agency takes care of evaluation and grant management.
 - Phase 1 was stopped (last cut-off on 6th Sept 2019)
 - Revised weighting of the award criteria: 30% for Impact, 30% for Excellence and 30 % Quality of implementation, introduction of non-bankability criterion
 - Coaching and business acceleration services are extended to all FET beneficiaries, notably researchers;
-

1,156 proposals were selected for a total EU contribution of **EUR 766 074 464**

- 845 SME Instrument (SMEi) phase 1 projects (budget EUR 42 250 000)
- 311 (SMEi) phase 2 projects (272 grant only projects of EUR 580 508 232 and 39 projects with equity EUR 143 316 232)

The leading keywords used by the successful proposals both in terms of volume and Budget were Health, Engineering and Technology and ICT.

The success rate was similar to the previous year's corresponding to $\approx 10\%$ for Phase 1 and $\approx 4\%$ for Phase 2 applications.

Time-to-Inform was faster than the set targets: 47 days for Phase 2 and 40 days for Phase 1.

Jury interviews

Face-to-face jury interviews²⁸ were a new feature of the EIC Pilot. Interview juries were selected from a pool of 100 high-level experts from 29 countries consisting of around 25% Business Angels, 32% Venture Capitalists, 34% Innovation and Industry Specialists. Other experts came from larger corporates, innovation hubs, etc.

"The companies we see at interview stage are the absolute crème de la crème of European innovation and it's an honour to be part of their ongoing journey to further success". (Mary McKenna, EIC jury member)

The interviews enabled evaluators to clarify aspects of the proposals related to the innovation, the market or the team, thus adding value to the remote evaluation.

Project management

In 2019, 1341 EIC SME Instrument grants were signed: 1047 for phase 1 and 294 for

²⁸ Watch the [video \(hyperlinked\)](#)

phase 2.

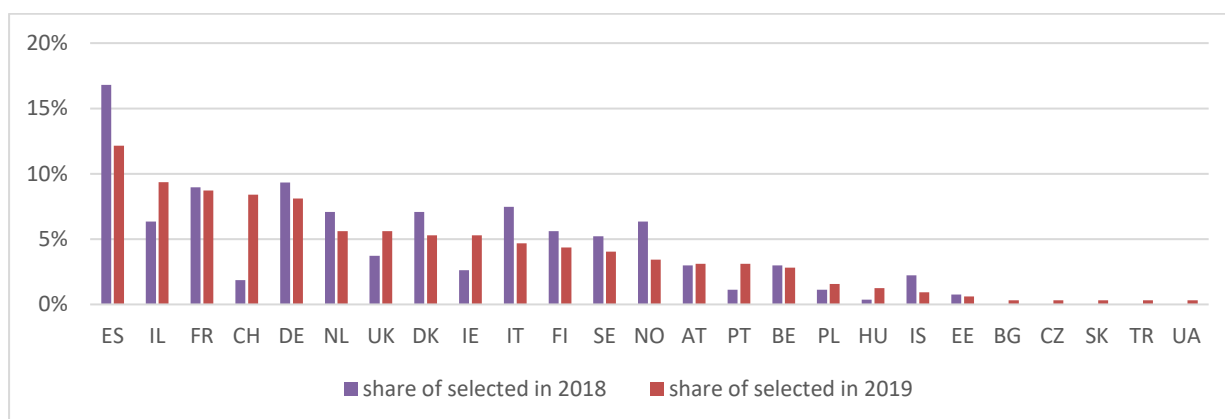
Between 87%-97% of grant agreements were signed within target for phase 2 and between 79%-97% for phase 1. Note that 98% of phase 1 grant agreements were signed by the beneficiaries within the 90 days. Delays in the TTG process for phase 1 stemmed from delays in the delivery of the needs analysis of from the beneficiaries' Key Account Managers (KAMs). Some grant agreements required more time to be finalised²⁹, such as: security projects requiring a longer scrutiny procedure; health projects requiring a full ethics screening; in other cases the SME validation process took a considerable amount of time.

In 2019 around 2169 projects (1326 phase 1 and 843 phase 2) were ongoing and monitored by the Agency, an increase of 23% compared with 2018. 1196 projects were finalised (26% increase compared with 2018), representing around 25% of all Horizon 2020 projects finalised in 2019.

Each year the programme attracts more and more start-ups (up to 5 years of age). Overall, they represent 59% of all companies.

In May and October, phase 2 Coordinators' Welcome Days kicked-off more than 100 phase 2 projects. 85% of participants were satisfied with these events.

The geographical distribution of phase 2 beneficiaries is more balanced in 2019 than in 2018, with major increase among Israeli and Swiss companies, but also Eastern Europe companies from Poland and Hungary and new entrants from Bulgaria, Czech Republic, Slovakia, Turkey and Ukraine.



Graph 1: Share of EIC Phase II beneficiaries per country: 2018 cut-offs compared with 2019 cut-offs

Business Innovation Coaching

Business Innovation Coaching³⁰ empowers SMEs towards the successful commercialisation of their project.

89% of SMEs agree that coaching has had a positive impact on their business strategy, for instance by helping them find a better response to challenges or speeding up their projects.

In 2019, coaching services were extended to SMEs from FET Open and FTI as well as researchers, increasing the pool of active coaches to more than 700. Consequently, 2019 saw a total of 1,423 coaching contracts signed and 1,808 payments made - a cumulated increase of 37,3% compared to 2018.

²⁹ In the Agency's risk assessment, the 'inability to achieve the Time-To-Grant for 100% of grant agreements' was identified as a risk. It suffices to have one grant agreement signed outside the reference period to fail on this objective. It should be noted that the Agency is not responsible for all steps in the grant agreement preparations (i.e. participant validation, security screening) and therefore cannot control the full process and its timeliness.

³⁰ Watch the [video](#) about coaching.

Key Account Managers (KAMs) from the Enterprise Europe Network help to implement the coaching service. KAM Networking Days in 2019 enabled 90 KAMs to exchange experiences to learn from each other. The events also helped inform the development of new services such as the KAM role within Business Acceleration, etc.

EIC Business Acceleration Services

These activities aim to accelerate the market reach of EIC funded innovation and growth of EIC supported companies by facilitating their access to private investment, finding new business partners, distributors, suppliers and clients and engaging in peer-led learning opportunities. EIC added value lies in connecting EIC innovators with business and financial partners from across Europe (eg. companies from Spain, France, Slovakia pitching to main decision makers of ABB in Sweden) with the aim of creating concrete business deals.

In 2019, the services were extended to all EIC beneficiaries participating in FTI and FET Open. New services were introduced in the area of procurement, as well as enhanced cooperation with Corporates, a visit to an Innovation Hub in Europe and an enlarged offer of EIC Community events. **For more on events, see Annex 12.**

All Business Acceleration Services can be accessed through an on-line [EIC Community](#) of 9000 users including innovators and researchers. It also facilitates online matching between companies and investors, hosting 400 companies and 59 active investors.

Policy feedback and dissemination of results

In September, the Agency finalised its fourth [impact report](#) summarising the five years of implementation of the EIC Pilot SME Instrument. It showed that 5000+ SMEs were funded, with a success rate (8% for phase 1 and 5% for phase 2) comparable to the selection rates of private investment funds and acceleration programmes offering "smart money".

Between 2014-2018 there were 17 IPOs, 29 acquisitions and EUR 3 billion attracted in private funding

For phase 2 companies, around 75% saw an increase in their operating revenue and 67% in their employee count. The average increase per company was of 13 employees or 132% over the period of 1.7 years.

For specific examples of SME instrument success stories please see annex 12.

The EIC: Fast Track to Innovation

Call management

In 2019 there were 3 cut-offs for the Fast Track to Innovation programme, attracting **812** proposals. Between 4 and 5 partners were involved in 80 % of proposals. Engineering and technology, Health and ICT were the three most popular keywords; followed by Energy.

40 projects were selected for a total of EU contribution of **EUR 99 784 457**. Of these, 26 grants have been signed, one is being prepared and 13 will be signed in 2020.

Project management

52 projects from the FTI Pilot (call 2015-2016) are ongoing and **28 are finalised/completed**.

For specific examples of Horizon 2020 FTI projects, please see annex 12.

1.3 Societal Challenge 'Secure, clean and efficient energy'

The European Union is advancing towards its 2020 and 2030 energy and climate targets. The Agency contributes to the transition to a low-carbon society as it implements research and innovation projects with the specific objective of "making the transition to a reliable, affordable, publicly accepted, sustainable and competitive energy system, aiming at reducing fossil fuel dependency in the face of increasingly scarce resources, increasing energy needs and climate change."

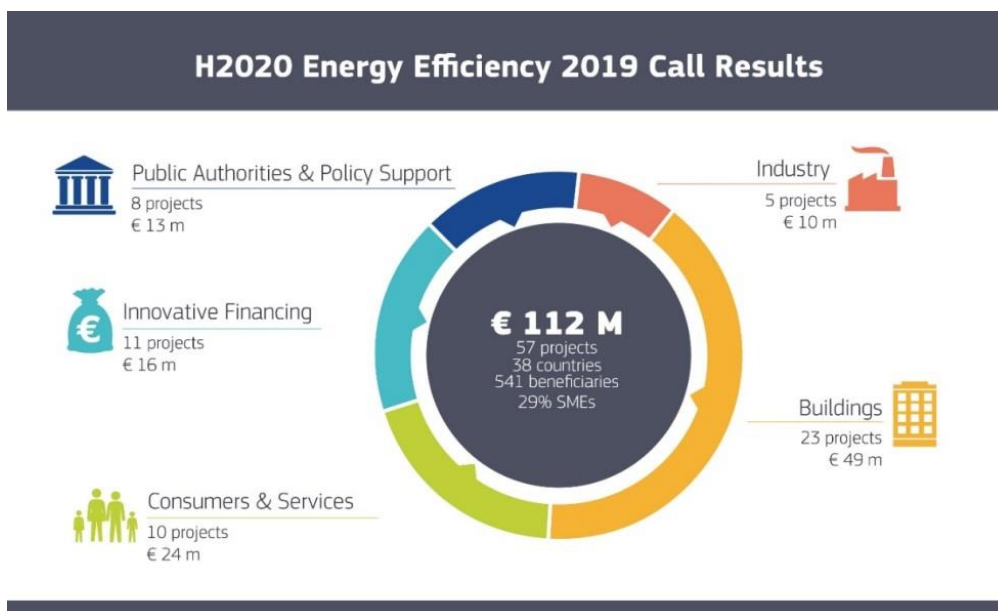
The Agency's role entails the responsibility for implementing the 2018-2020 Horizon 2020 Energy Efficiency Calls.

Implementation of Horizon 2020 Energy Efficiency Calls and projects

Following on from **2018 Calls**, EASME signed **48 new projects** on time in 2019, including a new ad-hoc grant on market surveillance of energy-related products.

Regarding **2019 Calls**, highlights included:

- A grant to set up an innovative **EUR 16 million European City Facility** to help local authorities, with small lump sums, to prepare sustainable energy investment concepts.
- **57 additional projects** covering energy efficiency in buildings, industry, consumers, services, finance, public authorities, and policy support.
- An ad-hoc grant to support **sustainable energy in the defence sector**.



At the end of the year, the Agency monitored about **200 ongoing Horizon 2020 energy efficiency actions**, including 4 service contracts.

Policy feedback

The Agency assisted DG ENER in defining the Clean Energy Transition sub-programme of the future **LIFE** programme (2021-27), including helping to organise a stakeholders' consultation workshop with 254 participants.

The Agency also contributed to the co-creation of **Horizon Europe**. It took an active role

during the R&I Days and was involved in the definition of a new co-programmed partnership for a 'People-centric Sustainable Built Environment (Built4People)'.

More generally, the Agency informed the policy debate by exploiting the results of its projects, e.g. its four EU-wide **Concerted Actions** gathering the national bodies implementing the Energy Performance of Buildings Directive (EPBD), the Energy Efficiency Directive (EED), the Renewable Energy Sources Directive (RES), and the energy efficiency products legislation.

The Agency sent best practice examples to feed the **Commission's guidelines** on the revised Energy Performance of Buildings and the Energy Efficiency Directives.

It also sent DG ENER, DG REGIO, the European Economic and Social Committee (ECSC) and the Committee of the Regions (CoR) tailored information from its projects on **energy consumers**, contributing to the forthcoming Commission guidelines on energy poverty and to the EU Energy Poverty Observatory.

The Agency sent information to DG ENER and DG GROW to support the revision, implementation, and monitoring of **products policy**, as well as its assessment by the Court of Auditors.

Regarding **energy efficient buildings**, the Agency provided ENER with feedback from actions addressing smart buildings; the use of ISO standards for energy performance assessment; property valuation; and renovation costs. It supported ENER's work in areas including the EU Building Stock Observatory, the Smart Readiness Indicator, Building Renovation Passports, and the uptake of Nearly Zero-Energy Buildings. This included participation in workshops, giving feedback on reports, and providing project data and results.

On **energy efficiency finance**, the Agency contributed to all three pillars of the Smart Finance for Smart Buildings Initiative. This included organising information sessions for DG ENER policy officers and DG REGIO country desks and organising nine roundtables in capitals to discuss ways to mobilise large-scale investments in sustainable energy. It also contributed to DG FISMA's work on taxonomy, green tagging, and green mortgages.

It supported activities of DG ENER under various **umbrella initiatives**, such as the Clean Energy Ministerial Initiative and the Energy Efficiency Financial Institutions Group (EEFIG). It also continued to participate regularly in the Horizon 2020 Partnership Board meetings on processing industry (SPIRE) and buildings (EeB).

On the **international** scene, the Agency intervened at the 'High Level Policy Dialogue to promote the energy transition in the Mediterranean region'; at the 'High Level Group Meeting on Central and South Eastern Europe Connectivity (CESEC)'; and at COP25. It also co-organised with DG ENER a policy session under the umbrella of the Clean Energy Ministerial Finance Initiative.

Communication activities

The Agency presented its energy activities at conferences including Sustainable Places 2019. It implemented several initiatives to **replicate project results**, including the BUILD UP portal, the Sustainable Energy Investment Forums, and a capacity building initiative dedicated to local energy agencies (Managenergy).

In February, the Agency organised the **Covenant of Mayors Investment Forum** in Brussels, with more than 550 representatives from local authorities, industry and financial institutions. A total of 30 front-runner projects and initiatives from all around Europe and beyond were featured to inspire their peers to replicate such solutions in their own cities and regions.

In May, EASME organised a **workshop on digital construction skills** as a side event of the Construmat 2019 trade fair (Barcelona). On a similar subject, it also produced a Results Pack on 'Equipping building professionals with new skills to achieve European energy targets'.

Finally, in June, the Agency co-organised the **European Sustainable Energy Week 2019** (EUSEW) in close cooperation with DG ENER. It attracted 3195 onsite participants in four plenary sessions and a record number of 92 policy sessions, 67 organisations hosting their stand at the Energy Fair and more than 400 Energy Days taking place in 38 countries.

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

The Agency contributed to DG RTD's and DG GROW's common specific objective: to achieve a resource - and water - efficient and climate change resilient economy and society, the protection and sustainable management of natural resources and ecosystems, and a sustainable supply and use of raw materials, in order to meet the needs of a growing global population within the sustainable limits of the planet's natural resources and eco-systems.

Call evaluations

In 2019 EASME was responsible for the management and coordination of five *calls for proposals*:

- Building a low-carbon, climate resilient future: climate action in support of the Paris Agreement -H2020-LC-CLA-2018-2019-2020-one stage (EUR 7 million)
- Building a low-carbon, climate resilient future: climate action in support of the Paris Agreement -H2020-LC-CLA-2018-2019-2020-two stage (EUR 109 million)
- Greening the economy in line with the Sustainable Development Goals (SDGs)-H2020-SC5-2018-2019-2020-one stage (EUR 4.6 million)
- Greening the economy in line with the Sustainable Development Goals (SDGs)-H2020-SC5-2018-2019-2020-two stage (EUR 245 million)
- Greening the economy in line with the Sustainable Development Goals (SDGs)-H2020-SC5-2019-3 (EUR 2 million)

From these calls, EASME evaluated **611 proposals**, 20 of which were ineligible and 80 successful (52 proposed for immediate funding and 28 put on a reserve list), representing a 13.1% success rate. **All grant agreements were signed on time.**

In 2019, Horizon 2020's "Environment and resources" sub-programme made payments amounting to EUR 309 193 907, **100% of which were within the legal deadlines.**

In addition, EASME launched and evaluated two '**identified beneficiary actions**' with a total of EUR 5.1 million: the IPCC Secretariat and Presidency event (conference); and "Climate action, environment, resource efficiency and raw materials – Germany, 2020". While the first action has – to date - been implemented successfully, for the second action no proposals were submitted, meaning that the budget of EUR 100 000 will be decommitted.

Project management

In 2019, project advisers monitored 301 projects of which the overall EU contribution amounted to EUR 2.02 billion. More than 72 projects held their reviews in the reporting period.

Policy feedback

In 2019 EASME increased its policy feedback contributions. As well as participating in Working groups and Taskforces dedicated to subjects such as Nature Based Solutions (NBS) for hydro-meteorological risk, over 60 ad-hoc contributions were made to parent DGs either on request or proactively. In summary, EASME has:

- provided selected relevant deliverables of current and concluded Coordination Support Actions (**CSAs**) to DG GROW to be used as a starting point for preparing the next work plan and targets.
- contributed to the **Horizon Europe** programme development by participating in working groups including Horizon Europe Cluster 6. In addition, EASME provided ideas for call topics for the Work programme of Horizon Europe, for example in the field of raw materials.
- provided input for **Horizon Europe Missions** (in particular for 'Adaptation to Climate Change, including Societal Transformation', 'Healthy Oceans, Seas, Coastal and Inland Waters', 'Climate-Neutral and Smart Cities'). Through Horizon 2020 funded projects, a knowledge dossier for DG RTD was prepared collecting relevant results, useful for feeding into the discussions on the Mission for 'Climate-Neutral and Smart Cities'.
- provided input to DG RTD on how the project portfolio relates to the priorities of the Green Deal, and highlighted projects that are contributing to delivering on the **Green Deal** objectives.
- contributed to the first ever **R&I Days 2019** as co-organiser of seven policy sessions "Cities as Innovation Labs", "Biodiversity", "Let nature be the solution", "It's a BioWorld", "Future of plastics", "Climate science session" and the strategic planning co-design session "Together we are cleaner, industry for zero waste economy" in close cooperation with DG RTD. The input received contributed to the strategic planning of Cluster 4 of the Horizon Europe.
- led the **ICT4Water cluster**, a thematic cluster with 53 Horizon 2020 and LIFE projects, working closely with DG CNECT. EASME is supporting the cluster in achieving its main target: to implement the Action Plan for a "Digital Single Market of Water Services".
- prepared a **bi-annual report** for DG GROW, listing all raw materials projects and describing their achievements and results. The report highlights promising activities and results, maps and describes pilot & demonstration activities, provides figures on promising innovations and on the coverage and participation in the programme.

Projects continued to demonstrate the EU added value of pooling expertise in terms of their impact and results. Examples include:

The **AfricanBioServices project**, an African-European scientific network, aiming to unravel how human population growth, land-use change, and climate change interact and affect human well-being. Focusing on the Greater Serengeti-Mara Ecosystem (GSME) that straddles the Kenya-Tanzania border, the project used data and models to develop insights and **sustainable solutions** to achieve the twin goals of **biodiversity protection**

EASME_aar_2019_final



Photo: Per Harald Olsen, AfricanBioServices

and sustainable human livelihoods supported by ecosystem services. The network has produced more than 30 peer-reviewed papers, including a **paper published in *Science*, providing important scientific evidence** of the far-ranging consequences of the increased human pressures around this world-known ecosystem.

Further examples of EU added value of projects can be found in annex 12.

Communication activities

EASME **promoted its calls** for Societal Challenge 5 through an **Info day**, organised in September (400 outside attendees, satisfaction rate 83%) with participation of DG GROW, DG RTD, REA, JRC.

The Agency applied the **Innovation Radar** methodology during project reviews to identify high potential innovations and the key innovators behind them. More than 7000 EU-funded innovations have been identified in EU-funded projects by Innovation Radar so far.

CORDIS Results Packs on [Biodiversity](#) and [Circular economy and waste](#) were published in 2019 and another five are in the pipeline for 2020. EASME also published more than 20 success stories in DG RTD's [Horizon magazine](#).

On social media, **@EU_ecoinno** is well established in the environment community on Twitter. At the end of December, it reached 20,100 followers. It provided up-to-date information on open calls, evaluations, grant agreement signature, funded projects, events and EU news on climate action, environment, resource efficiency and raw materials. More than 27 articles promoted EASME projects on **EASME website**.

For events highlights please see annex 12

1.4 Programme for the Environment and Climate Action (LIFE)

The LIFE Programme³¹ is the EU's funding instrument to support the protection of the environment and climate action. **For 2019, EUR 453 651 187 million was allocated to the Programme** with around EUR 349 126 761 million operational expenditure under the environment strand and EUR 104 524 426 million for the CLIMA strand (including procurement) delegated to EASME.

The objectives were stipulated in the LIFE Programme and in the multi-annual Work Programme 2018-2020

The Agency was responsible for all calls for proposals for action grants under the Environment sub-programme and the Climate Action sub-programme. It also managed the call for operating grants to framework partner NGOs in the framework of the partnership agreements awarded in 2019.

Several calls launched in 2018 were finalised in 2019 as outlined in annex 12. Highlights included a total of 34 NGOs submitting a successful work plan under the framework partnership agreement. In addition, Estonia and Croatia successfully submitted new LIFE Capacity Building projects to continue promoting participation in LIFE action grants.

The call for proposals 2019 saw the number of submissions increase to the same level as when the programme began in 2014. The introduction of a simplified two-stage approach adopted in 2018 has led to an increase in numbers after several years of declining

³¹ Regulation (EU) No 1293/2013 of the European Parliament and of the Council of 11 December 2013 on the establishment of a Programme for the Environment and Climate Action (LIFE) and repealing Regulation (EC) No 614/2007.

numbers.

2019 saw EASME piloting the use of the eGrant IT tools under the LIFE programme for the call for Technical Assistance projects. The same tools will be adopted for the 2021 call and the pilot ensured that EASME was well prepared.

Policy Feedback

EASME regularly provides **policy feedback** to DG ENV and DG CLIMA. For example, the **LIFE Platform meeting on Chemicals** (27 - 29 November, Lithuania) brought together more than 100 participants from EU member states and included presentations of 60 LIFE projects. The event aimed to: examine different aspects of chemicals management within the LIFE Programme; consider how the LIFE programme can increase the number of proposals on this topic; examine how LIFE can find synergies with the European Chemicals Agency (ECHA) and the chemicals industry. The event was organised by [LIFE Fit for REACH](#) project.

LIFE Projects continued to demonstrate **the EU added value** of pooling expertise in terms of their impact and results. Examples include:

[LIFE Lynx](#) project is working to conserve and enhance the endangered Dinaric-SE Alpine lynx population. It has joined the European Rewilding Network. The project aims to enhance genetic diversity by **reintroducing 14 Eurasian lynx into Slovenia and Croatia from Slovakia and Romania**. In May, the project team released the first two animals into the wild in Slovenia and Croatia. It also plans to reintroduce more animals into Alpine areas to improve connectivity between regional sub-populations.



Photo: Arko Matesic

Close to market: As part of the LIFE Close-to-Market activities, some LIFE beneficiaries dealing with circular economy projects participated in the [World Circular Economy Forum 2019](#) on 3-5 June in Helsinki, where they met with investors (Business-to-Investors, B2I) and/or with other companies (Business-to Business, B2B) relevant for their projects.

For further examples, please see annex 12.

Communication activities

On 21 March, EASME organised the Info Day for LIFE NGO operating grants. Around 80 participants, including many newcomers, learned about the new call including some changed features, mainly related to award criteria. The event was also web streamed and recorded.

Also in March, EASME organised the LIFE National Contact Points training session in collaboration with DG ENV and DG CLIMA. This year, the session focused on the 2019 call on Technical assistance projects: the use of the submission tool eGrant.

EASME and DG CLIMA launched a new publication on climate change adaptation in agriculture and forestry. LIFE has supported efforts for the adaption of forestry and agriculture to the changes in the climate since 1992.

EASME also organised the European Info Day on 30 April in Brussels attracting 500 participants. In total, 478 bilateral meetings took place: 129 between participants and EASME staff, and 349 between participants.

On 16 May, during EU Green Week, the LIFE programme announced the winners of this year's LIFE Awards. The four winners came from Italy (Nature category), Spain (Environment category), Greece (Climate Action category) and Cyprus (Citizens' prize). The LIFE Awards recognise the most innovative, inspirational and effective LIFE projects. The winners were chosen for their contribution to environmental, economic and social improvements, paying special attention to their innovation, replicability, relevance to policy and cost effectiveness.



EASME significantly enlarged the social media presence of the LIFE programme in 2019: the number of followers increased to more than 21.000 on Twitter, more than 14.000 on Facebook and more than 4.600 on LinkedIn. On average, the Agency had a monthly outreach of 405.000 impressions on Twitter and 26.000 on LinkedIn.

1.5 European Maritime and Fisheries Fund

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

EASME is responsible for implementing about half of the budget for direct management of policy support actions under the EMFF work programme on behalf of DG MARE. The delegation to the Agency concerns:

- Actions in the area of integrated maritime policy (marine knowledge, maritime spatial planning, maritime surveillance and blue growth); and
- Scientific advice and projects necessary for the development and the implementation of the Common Fisheries Policy.

The 2019 EMFF Work Programme (WP) was adopted on 13 December 2018 and amended on 9 October 2019³². The total EMFF budget delegated to the Agency amounts to EUR 42.8 million for 2019. It represents a budget increase of 5,3% with respect to 2018 WP.

Two thirds of the budget (EUR 28.9 million) were allocated to grant actions, committed through three calls for proposals and five invitations to apply to identified bodies in the WP. One call for Proposals, the "Blue Economy Window", absorbed the biggest part of

³² Commission implementing decision C(2018)8395 of 13/12/2018 on the financing of the European Maritime and Fisheries Fund the adoption of work programme for 2019. Amended by Commission implementing decision C(2019)7127 of 9/10/2019.

this budget (EUR 22.5 million). In 2019 the Agency signed **32 new grant agreements** (including the legacy of 2018 EMFF WP).

In 2019, the Agency **published six calls for tenders, launched 20 requests for services under existing framework contracts and signed a total of 33 new contracts**. It also used IT tools eGrants, for the first time under the EMFF programme, for the evaluation and grant agreement preparation phases.

Agency highlights supporting the EMFF programme objectives included:

- Publication of the Blue Economy Window Call on 21 November. It is fully dedicated to innovative SMEs and gives them the opportunity to bring to market new products, services and business models in the blue economy value chain and sustainable blue innovation in Europe. In 2019, this opportunity was reinforced with: the implementation of the assistance mechanism for investment in the blue economy; and with the signature of 25 new grant agreements on blue economy coming from 2018 Blue Economy call.
- Reinforcement of the collection of marine data to improve Marine Knowledge, through the European Marine Observation and Data network (EMODnet):.six contracts gave continuity to previous services: EMODnet Secretariat, data ingestion and four thematic data fields (Geology, Habitats, Physics and Chemistry).
- Implementation of the Maritime Spatial Planning (MSP) was strengthened with a new call for proposals, two new grant agreements and three new contracts: Ecosystem Based Approach to MSP, Monitoring Tools of MSP implementation and Assistance Mechanism to MSP.
- Support for the sea basin strategies and ocean governance through the renewal and continuation of assistance mechanisms to Atlantic, Mediterranean and Black Sea strategies, and to the financial support to the Union for Mediterranean, to the Black Sea Economic Cooperation Secretariat and to the EU's Arctic Policy.
- Support for the sustainable and competitive fisheries and aquaculture objective was supported through the signature of 17 new contracts in 2019 covering both the internal and the external dimension of the Common Fisheries Policy (CFP). This included support for the Ecosystem Based Approach for fisheries management, the scientific advice in EU Outermost Regions and the Ecosystem mapping in the Central Arctic Ocean (MOSAic expedition).

EU added value of the EMFF programme

At the **European Maritime Day 2019**, EASME organised a session "**Building bridges to the market: how to make the most of EU funding**" and a pitching session organised in cooperation with the Enterprise Europe Network. The event raised awareness of funding opportunities and demonstrated – through projects that had successfully brought their products to market – how funding can have a meaningful impact and lead to commercial success. Joining up EU funded initiatives at the event meant that potential applicants were also introduced to the Enterprise Europe Network and their services to help SMEs innovate and grow internationally.



Photo: EASME

Communication activities

The impact of the EMFF programme was strengthened by giving high visibility to its activities and achievements through:

- Dedicated events (e.g. [infodays](#) and [kick-off meetings](#)).
- Contributing to [stakeholders' events](#) to showcase projects and promote funding opportunities and synergies (e.g. European Maritime Day, Blue Invest, Seafood Fair, [6th Atlantic Stakeholder Forum](#) Conference, [Ecomondo](#)).
- Publishing the brochure "[Ocean Health](#)" on projects funded over the period 2014-2019 to support both fisheries and the blue economy.
- Preparing ready-to-use slides on successful projects.
- Maintaining an active presence on social media.

Synergies with other EU programmes (LIFE, Horizon 2020–SME instrument, COSME-Enterprise Europe Network in particular) were actively promoted through dedicated events (see above) with some very successful stories in terms of business development (e.g. [Wsense](#)).

Finally, EASME provided effective support to policies and feedback from implemented actions in a variety of ways (structured/ad hoc/proactive) e.g.:

- scientific advice to fisheries ([monitoring studies contributing to sustainable fisheries management](#))
- Maritime Spatial Planning directive (identification of future needs; workshop on data needs)
- blue skills and careers (definition of topics for future calls)

1.6 Legacy programmes : CIP Intelligent Energy Europe Programme and CIP Eco-Innovation

The legacy projects under the 2007-2013 Intelligent Energy Europe and Eco-innovation programmes have been finalised. EASME actively provided feedback to the parent DGs about the results of the projects and continued to communicate the latest results of the last projects in these areas.

2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

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

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

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

2.1 Financial management and internal control

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

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

- the AOSD reports submitted by the Heads of Sector, Heads of Unit and Heads of Department managing budget;
- the contribution of the Head of Department in charge of Risk Management and the Internal Control Coordinator, including the results of internal control monitoring at the Agency level;
- the audit reports of the ex-post control function;
- the opinion, the observations and recommendations reported by the Internal Audit Service (IAS);
- the observations and the recommendations reported by the European Court of Auditors (ECA).

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

EASME implements the delegated programmes autonomously with the Director acting as authorising officer by delegation (AOD). Accordingly, the Agency manages the EU programme budgets on a direct management mode and manages its own operating budget.

As regards the **operational budget**³³, the commitment appropriations amounting to a total EUR 1.739,073,85 and the payment appropriations to a total EUR 1.407,875,43 were fully implemented (100%) in 2019.

³³ C1 (appropriations voted for the current budget) and E0 (EFTA contribution) fund sources

The Agency managed financial operations for the delegated programmes (COSME, H2020, EMFF and LIFE as well as for their related legacy programmes). Compared with the previous year, the total payment amount increased by EUR 230 million (i.e. + 19%).

Operational Budget execution per programme PAYMENTS 2019	ALL fund sources (as presented in Annex 3)		C1 & E0 fund sources	
	(million EUR)	%	(million EUR)	%
H2020	1.047,55	73,21%	1.028,74	73,07%
LIFE	244,73	17,10%	244,48	17,37%
COSME	100,72	7,04%	100,16	7,11%
EMFF	37,40	2,61%	34,50	2,45%
Legacy (CIP ECO 2007-2013)	0,42	0,03%	0,00	0,00%
TOTAL	1.430,82	100,00%	1.407,88	100,00%

Table 1: EASME payments in 2019.

As indicated in the above table, the majority of the 2019 payment appropriations were consumed for H2020 (i.e. 73% of the total), followed by the LIFE programme. With an increase of 58% compared to 2018, the amount paid by the COSME programme now exceeds EUR 100 million. Compared to the total, the EMFF programme still represents the smallest proportion in amounts paid but the amount paid in 2019 for that programme has risen by +35% compared to 2018.

The initially adopted **operating budget 2019** (EUR 48,70 million) was slightly reduced to mirror the reduction of the charge back³⁴, resulting in a final budget of EUR 48,60 million.

A total³⁵ of EUR 48,34million has been committed, out of which a total of EUR 43,87million were paid in 2019, the remaining amount will be paid in early 2020.

OPERATING BUDGET 2019		COMMITMENTS (million EUR)		PAYMENTS (million EUR)	
		Authorised budget	MADE	Authorised budget	MADE
Title 1	C1 fund source	36,87	36,78	36,86	36,04
	C8 fund source	0	0	0,509	0,402
Title 2	C1 fund source	8,71	8,62	8,71	6,57
	C8 fund source	0	0	1,39	1,24
Title 3	C1 fund source	3,02	2,95	3,02	1,26
	C8 fund source	0	0	1,58	1,44
Total		48,60	48,34	52,08	46,95

Table 2: Operating budget per title.

The breakdown of the operating budget per programme delegated to the Agency is shown in the table below³⁶.

Programme	Budget 2018	Budget 2019
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³⁴ To comply with a decision of DG BUDG on the financing of the IT application 'SUMMA' by the DGs

³⁵ C1 appropriations authorised

³⁶ Initial foreseen 'ex ante'-budget, not actual costs paid by parent DGs 'ex post'.

	(million EUR)	(million EUR)
H2020	27,32	30,39
COSME	9,50	9,91
LIFE	3,87	5,07
EMFF	3,05	3,22
TOTAL	43,74	48,60

Table 3: Operating budget per programme.

In addition to the programme implementation highlights mentioned in part 1, the table below shows financial results against the targets as given in the 2019 Work Programme.

Indicator: time to pay (source of data: EASME.C1)					
Baseline (2018)		Target (2019)		Result (2019)	
99,4% of all payments within legal deadlines		100% of all payments within legal deadlines		99,8% of all payments within legal deadlines	
Legal deadline	Result 2018	Legal deadline	Target	Legal deadline	Result 2019
30 days	100%	30 days	100%	30 days	100%
45 days	100%	45 days	100%	45 days	100%
50 days	n/a	50 days	100%	50 days	n/a
60 days	98%	60 days	100%	60 days	98%
75 days	100%	75 days	100%	75 days	n/a
90 days	100%	90 days	100%	90 days	100%
Average number of days to pay (legal deadlines):		Average number of days to pay (legal deadlines):		Average number of days to pay (legal deadlines):	
Legal deadline	Average 2018	Legal deadline		Legal deadline	Average 2019
30 days	11 days	30 days		30 days	10 days
45 days	24 days	45 days		45 days	25 days
50 days	n/a	50 days		50 days	n/a
60 days	41 days	60 days		60 days	41 days
75 days	35 days	75 days		75 days	n/a
90 days	56 days	90 days		90 days	56 days
Indicator: % of budget execution (commitments and payments) with respect to budget appropriations (source of data: EASME.C1)					
Baseline (2018)		Target (2019)		Current situation (as achieved)	
Operational budget ³⁷ : 100% in commitments 100% in payments		Operational budget: 100% in commitments 100% in payments		Operational budget: 100% in commitments 100% in payments	
Operating budget: 99,8% in commitments 92% in payments		Operating budget: 100% in commitments 100% in payments		Operating budget: 99,5% in commitments 90% in payments	

Table 4: Payment times and budget execution.

Overall, the targets as set in the Agency's work programme were met in 2019.

³⁷ C1 appropriations.

EASME processed 2.000 more payments in 2019 compared to 2018 (from 5.800 to 7.800 transactions) for the operational budget alone. In addition to this unprecedented sharp increase, the proportion of payments made within legal deadlines (or Time to Pay - TTP) improved from 99.4% to 99.8%. Similarly, the number of transactions on the operating budget increased by 11% and the TTP improved from 96.9% to 99.5%.

With regard to the budgetary execution, the operational budget was executed at 100% both in commitments and payments and the performance on the operating budget remained at a high level despite a substantial increase in the budget compared to the previous year (+ 11%).

In addition, on a continuous basis the Agency carries out an Accounting Quality Exercise, which aims at ensuring the accuracy of the accounting data in the IT financial systems. During 2019, EASME tested financial transactions in areas including expenditure, pre-financing, commitments, guarantees, recovery orders, fixed assets and cut-off. Those tests concluded that financial transactions were recorded according to Financial Regulation and internal guidelines.

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

2.1.1 Control results

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives³⁸. The DG's assurance building and materiality criteria are outlined in the AAR Annex 4. Annex 5 outlines the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the control systems.

The cases below related to the new reporting requirements stemming from the new Financial Regulation applicable as from 1 August are applicable to EASME.

The following cases are not present in EASME:

- cases of 'confirmation of instructions' (new FR art 92.3);

The following cases are present in EASME:

- cases of financing not linked to costs (new FR art 125.3);
- Financial Framework Partnerships >4 years (new FR art 130.4)
- cases of flat rates >7% for indirect costs (new FR art 181.6);
- cases of "Derogations from the principle of non-retroactivity [of grants] pursuant to Art 193 FR" (new FR art 193.2);

For the detailed information regarding these cases please refer to Annex 10, part B.

³⁸ Effectiveness, efficiency and economy of operations; reliability of reporting; safeguarding of assets and information; prevention, detection, correction and follow-up of fraud and irregularities; and adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 32).

1. Effectiveness = the control results and benefits

- **Legality and regularity of the transactions**

EASME is using internal control processes to ensure the adequate management of the 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.

Overarching objective of the Agency: the Authorising Officer by Delegation should have reasonable assurance that resources have been used in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions including prevention, detection, correction and follow-up of fraud and irregularities.

Control results for grants under direct management

The control system for grant direct management is deployed through four progressive stages: 1) programming, evaluation and selection of proposals, 2) contracting, 3) monitoring and 4) ex-post controls. Key indicators have been defined for each stage covering control effectiveness and control efficiency. This section presents the main indicators measuring control effectiveness and an overview of the benefits of controls. Further details on control effectiveness and the benefits of controls are included in Annex 10.

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

Programme	Stage 1 Evaluation and Selection	Stage 2 Contracting	Stage 3 Monitoring	Stage 4 Ex-post Controls
Legacy CIP IEE	N/A	N/A	N/A	x
Legacy CIP Eco Innovation	N/A	N/A	x	x
COSME	x	x	x	x
H2020 - Innosup	x	x	x	x
H2020 SME & FTI	x	x	x	x
H2020 Energy	x	x	x	x
H2020 Environment & Resources	x	x	x	x
LIFE	x	x	x	x
EMFF	x	x	x	x

Table 5: Stages of programmes.

Stage 1: programming, evaluation and selection of proposals

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

Key controls include the thorough screening of proposals for eligibility, selection and award criteria, the evaluation of proposals by up to five independent experts and a panel review for the ranking of proposals. The list of approved proposals is checked for legal

compliance by the AOSDs before some are submitted for a Commission inter-service consultation. These are key checks to ensure the excellence of the proposals to fund and the legality and regularity of operations, since a compliance deficiency in the selection process would affect the regularity of all the ensuing grants.

Control effectiveness ratios - calls	COSME	H2020 INNO-SUP	H2020 EIC PILOT and FTI	EMFF	H2020 ENERGY	H2020 ENV & RESOURCES	LIFE
% number of calls successfully launched / number of calls planned in the (revised) AWP	78,5%	100%	100%	100%	100%	100%	100%
% of budget value implemented / budget allocated (for commitments from calls 2017 managed in 2018)	97,80%	100,00%	100,00%	98,13%	99,61%	100,00%	99,88%
% of budget value implemented / budget allocated (for commitments from calls 2018 managed in 2018)	24,71%	26,91%	96,07%	10,44%	3,08%	1,77%	2,00%

Table 6: Control effectiveness ratios – Stage 1

The Agency concluded the vast majority of the calls planned in the 2019 Annual Work Programme, for the programmes delegated as from 2014. Three COSME calls have been cancelled or postponed to 2020, as instructed by the parent DG.

The budget allocated for calls published in 2018 has been fully implemented or committed for most of the programmes in 2019. For calls published in 2019, the Agency started to commit funds that will be further managed in 2020.

Control effectiveness ratios - proposals	COSME	H2020 INNO-SUP	H2020 EIC PILOT and FTI	EMFF	H2020 ENERGY	H2020 ENV & RESOURCES	LIFE	TOTAL
Submitted proposals	325	292	17091	117	283	634	1595	20337
Inadmissible proposals	7	1	78	0	4	1	211	302
Ineligible proposals	14	6	94	5	3	20	152	294
Withdrawn/duplicate proposals	3	0	10	1	1	2	6	23
Eligible proposals	196	249	16907	111	276	611	2566	20916
Proposals selected for funding - "main" list	118	134	1196	32	52	52	134	1718
Proposals selected for funding - "reserve" list	12	5	0	1	45	28	23	114
Total selected proposals for funding	130	139	1196	33	97	80	157	1832
% success rate : number of selected (funded) vs eligible proposals	66,3%	55,8%	7,1%	29,7%	35,1%	13,1%	6,1%	8,8%

Table 7: Control effectiveness ratios – proposals

Following the evaluation of proposals against a set of eligibility, selection or award criteria, and depending on the nature of the programme, about 6.1% (LIFE) to 66% (COSME) of the eligible proposals were recommended to receive funding. The EIC pilot continues to attract a record number of proposals showing a great interest of SMEs in the funding scheme, resulting in a wider range of proposals for selection.

Control effectiveness ratios - evaluation review requests	COSME	H2020 INNO-SUP	H2020 EIC PILOT and FTI	EMFF	H2020 ENERGY	H2020 ENV & RESOURCES	LIFE	Total
Proposals evaluated	322	249	16907	111	276	611	2566	21042
Evaluation review requests received	2	1	128	2	1	6	17	157
Evaluation review requests leading to a re-evaluation (<i>target <=1</i>)	0	0	1	0	0	1	0	2
% of evaluation review requests vs proposals evaluated (<i>target < 3%</i>)	0,6%	0,4%	0,76%	1,8%	0,4%	1,0%	0,7%	0,7%
% of review requests leading to re-evaluation vs proposals evaluated	0,0%	0,0%	0,01%	0,0%	0,0%	0,2%	0,0%	0,0%

Table 8: Control effectiveness ratios – evaluation review requests

The Agency received a very low number of evaluation review requests ranging from 0,01% to 0,2% of the number of proposals evaluated. All the requests for evaluation

review were below the target of 3%. In total, EASME received 157 requests. Out of this number, only two review requests led to a re-evaluation of the proposals. The overall low number of review procedures provides a good indication of the robustness of the grant award process and assurance on the effectiveness of the internal control system.

Stage 2: contracting

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

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

Stage 3: monitoring the execution

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

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

Like the previous year, 5,6% of non-eligible costs over the amount claimed were detected in ex ante controls and a substantially higher overall amount of cost claims were controlled ex-ante (i.e. 883 MEUR in 2018 versus 1,075 MEUR in 2019). During 2019, ex-ante controls focused on interim payments. In terms of percentage, the detected error rate decreased for all programmes. The overall increase of the average detected error can be attributed to reinforced preventive and educative measures taken versus beneficiaries to increase compliance with the grant agreement rules.

Stage 4: managing ex-post controls and implementing results

For the programmes managed by EASME, the main indicator used to assess the legality and regularity of the transactions is the error rate detected by ex-post audits.

Ex-post controls are carried out by EASME on COSME, LIFE and EMFF programmes and the legacy programmes, namely CIP Eco-Innovation (ECO-I) and CIP Intelligent Energy Europe II (CIP IEE II). For Horizon 2020, ex-post controls are carried out by the Common Audit Service (CAS) of DG RTD, on behalf of the entire Research family.

The general control objective is to ensure that for all programmes³⁹ the cumulative residual error rate, i.e. the level of errors that remain undetected and uncorrected, does not exceed 2% by the end of the programmes' cycles. For Horizon 2020, the final control objective is to get the cumulative residual error rate within a range of 2-5% and as close as possible to 2%, without necessarily expecting it to get under 2%.

The status of reaching this objective is assessed annually, in view of the results of the implementation of the applicable ex-post audit strategies, and taking into account both the frequency and importance of the errors found, as well as a cost-benefit analysis of

³⁹ except Horizon 2020

the effort needed to detect and correct them. The **ex post audit methodology** is explained in Annex 4 - materiality criteria. Please refer to this annex for more details.

Details of multi-annual residual error rates based on audits performed by EASME for COSME, LIFE, EMFF and the legacy programmes are shown in Annex 10 part A.

- **Programmes delegated to the Agency**

Legacy programmes (2007-2013) - CIP Eco-Innovation (ECO-I) and CIP Intelligent Energy Europe II (IEE II)

The audit work for the legacy programmes ECO-I and IEE II was completed in 2019. The last samples were launched in 2018 and by the end of 2019, all audits reports were closed and the audit findings implemented. The final residual error rates, on a multi-annual basis, are for ECO-I at **1.98-5.75%** and for IEE II at **2.68%-2.72%**⁴⁰. These results are in line with the conclusions expressed in the AARs in previous years. It is now clear that the 2% residual error target for both ECO-I and IEE II will not be achieved, despite continuous efforts⁴¹ to mitigate the risks of errors in both programmes.

Considering that both programmes phased out in 2019, all planned audits were closed and the targets of the audit coverage as per the applicable ex-post control strategy⁴² have been partially exceeded, the Agency decided to close the audit cycle of these programmes, as additional corrective actions in 2020 would not be cost-effective.

Current programmes (2014-2020) – LIFE, EMFF and COSME⁴³

Since the respective audit campaigns are still in their early stages, the error rates set out below must be considered only as an initial evaluation and must be treated with due care, in a long-term perspective. Moreover, those programmes are multi-annual, and the residual error rates are calculated over the same elapse of time.

The European Court of Auditors in its 2018 Annual Report and its review of the Commission's ex-post audits observed that the Commission's methodology for calculating the error rate leads to an understatement of the error rate the extent of which cannot be quantified. As a result, the Agency will adapt fully this methodology for the calculation of the LIFE, EMFF and COSME error rate in line to the Court's observations starting with the implementation of the 2020 ex-post audit campaign.

The European Court of Auditors' finding also affects the methodology used by EASME to calculate error rates.

In response to these findings, EASME has adopted the new methodology in this report - in line with the Court's observations - to calculate the error rate on the current programmes. To do so, EASME recalculated the error rates by applying the European Court of Auditors' approach since the beginning of the programmes for COSME, LIFE and EMFF, for all audit reports closed by the end of 2019⁴⁴. In the report we present error rates using the new approach as well as the previous approach.

⁴⁰ For more information on min-max range, please refer to Annex 10, part B.

⁴¹ including: i) Communication campaigns targeting beneficiaries; ii) Enhancement of ex-ante control checks and procedures, in order to detect and prevent earlier errors, based on the results of ex post audits; iii) Increase of the ex post audit coverage, to maximise the cleaning effect and to reduce the residual error rate at the end of the multi-annual ex post audit strategy.

⁴² The Ex-post control Strategy for the legacy programmes (Ares(2014)1774521 - 30/05/2014) has set as target an audit coverage of 5%-20% of the total expenditure for IEE and Eco Innovation programmes.

⁴³ For more detailed information please see Annex 10, part B

⁴⁴ In the previous approach, the error rate was calculated dividing the total error in the audited population by the costs accepted by EASME. Following the European Court of Auditors' recommendation, EASME recalculated the error rates dividing the total error by the total costs tested during audit (so called 'new approach').

LIFE: by 31 December, EASME closed ten audit reports on a multiannual perspective. This leads to an estimated multiannual residual error rate of **0.61%** with the previous approach and to a residual error rate of **0.91%** by applying the new approach. This result relates only to LIFE operating grants.

EMFF: EASME launched a first audit campaign in January 2019, once these grants reached the level of maturity for being audited. EASME closed six audit reports in 2019. This leads to an estimated residual error rate at **0.78%** with the previous approach and to a residual error rate of **0.81%** by applying the new approach.

COSME: in 2019, the results of the second audit campaign became available. By the end of 2019, on a cumulative basis over the result of 37 closed audit reports, the residual error rate decreased to **1.24%** (in 2018 at 5.45%) with the previous approach, and to a residual error rate of **1.59%** by applying the new approach..

EASME has decided to lift the reservation on the COSME programme, as the multi-annual residual error rate falls below the materiality criteria set at 2%. The Agency will continue to monitor the implementation of the action plan in order to aim at a final multi-annual error rate below the materiality criteria.

Current programmes (2014-2020) – H2020

Horizon 2020: the audit campaign started in 2016. Three Common Representative Samples (CRS)⁴⁵, with a total of 467 expected results, have been selected. By the end of 2019, cost claims amounting to EUR 16.2 billion have been submitted by the beneficiaries to the services.

Following a review of a sample of ex-post audits and referring to the Commission's methodology for the calculation of the H2020 error rate, the European Court of Auditors observed that *"... ex-post audits aim for maximum coverage of the accepted costs, but rarely cover all the costs. The error rate is calculated as a share of all the accepted costs, instead of the amount actually audited. This means that the denominator in the error calculation is higher, so the error rate is understated. In case the errors found are of a systemic nature, the error is extrapolated which partially compensates for the above-mentioned understatement. However, since extrapolation is not performed for non-systemic errors, the overall error rate is nevertheless understated. The understatement of the error rate cannot be quantified. It is, then, impossible to determine whether the impact of this understatement is significant."* As a result, the Court introduced recommendation 5.3 to address this observation, which was accepted by the Commission.

In response, the Commission is re-defining its methodology for calculating the H2020 error rate in line with the Court's observations. For the year 2019, the Commission does not have all the data necessary to calculate the error rate according to the revised methodology. However, in order to quantify the understatement mentioned by the Court in its report, it recalculated the error rate based on the sample of 40 audits finalised in 2018 and 2019 selected by the Court for its own DAS work. The methodology applied is that in the cases of non-systemic errors, the denominator used in the error calculation is the sum of costs actually audited and not the sum of all accepted costs. The application of the revised methodology on the 40 samples resulted in an error rate higher, on average, by 0.34% in comparison to the error rate calculated by applying the methodology used in the past. This additional error rate of 0.34% has been used to top up the detected error rate for 2019 calculated according to the methodology used in the

⁴⁵ In addition to the Common Representative Samples, Common Risk Samples and Additional Samples have also been selected. The total of all samples represents 3245 participations. The audits of 2115 participations were finalised by 31/12/2019 (out of which 962 in 2019). This sampling accommodates special needs of certain stakeholders with regard to audit coverage and selection method. In addition, top-ups, which are participations of selected beneficiaries and are added to the selected participations, are included in the total participations selected.

past. This results in the following error rates for Horizon 2020⁴⁶ on 31 December 2019:

- Representative detected error rate: 2.78%⁴⁷, expected to rise to 3.30% taking into account the results of draft audit reports
- Cumulative residual error rate for the R&I Family of DGs: 2.15 % (2.57 % for EASME), expected to rise to around 2.31 % (2.99% for EASME) when taking into account the results of the draft audit reports⁴⁸.

The above-presented error rates should be treated with caution not only because of the above-mentioned top-up. Since not all results of the three Common Representative Samples are yet available, the error rate is not fully representative of the expenditure being controlled. Moreover, the nature of expenditure in the first years of the programme may not be totally representative of the expenditure across the whole period.

Since Horizon 2020 is a multi-annual programme, the error rates, and especially the residual error rate, should be considered within a time perspective. Specifically, the cleansing effect of audits will tend to increase the difference between the representative detected error rate and the cumulative residual error rate, with the latter finishing at a lower value.

As was the case last year, there is evidence that the simplifications introduced in Horizon 2020, along with the ever-increasing experience acquired by the major beneficiaries, affect positively the number and level of errors. However, beneficiaries still make errors, sometimes because they lack a thorough understanding of the rules, sometimes because they do not respect them.

EASME considers that the 2019 cumulative residual error rate falls within the target range established in the Financial Statement⁴⁹, and therefore a reservation is not necessary for the Horizon 2020 expenditure.

Regarding the future, the Commission will adapt its methodology for the calculation of Horizon 2020 error rate in line to the Court's observations starting with the audits finalised as from January 2020 on.

Benefits of controls

Controls operated during various stages bring quantitative and qualitative benefits. For the quantifiable benefits per stage please refer to Annex 10.

The **qualitative** benefits resulting from the controls in the different control stages are

⁴⁶ The Horizon 2020 audit campaign started in 2016. At this stage, three Common Representative Samples with a total of 467 expected results have been selected. By the end of 2019, cost claims amounting to EUR 16.2 billion have been submitted by the beneficiaries to the services. The audit coverage for Horizon 2020 is presented in annex 10. In addition to the Common Representative Samples, Common Risk Samples and Additional Samples have also been selected. The total of all samples represents 3245 participations. The audits of 2115 participations were finalised by 31/12/2019 (out of which 962 in 2019). This sampling accommodates special needs of certain stakeholders with regard to audit coverage and selection method. In addition, top-ups, which are participations of selected beneficiaries and which are added to the selected participations, are included in the total participations selected.

⁴⁷ Based on the 298 representative results out of the 467 expected in the three CRS.

⁴⁸ Please note that the following results were obtained by applying the previous approach: Representative detected rate: 2.44% based on the 298 representative results out of the 467 expected in the three CRS. Taking into account the results of draft audit reports, the rate rises to 2.96%. Cumulative residual error rate for the Research and Innovation Family: 1.83 % (2.24 % for EASME), expected to rise to around 1.99 % (2.66 % for EASME) when taking into account the results of the draft audit reports.

⁴⁹ A cumulative residual error rate within a range between 2% and 5% and at the same time as close as possible to 2%, without necessarily expecting it to be under 2%.

the following:

Stage 1: a properly designed Work Programme and well-published calls appeal to a large number of good quality projects, out of which the excellent ones can be chosen. Expert evaluators bring independence, state of the art knowledge in the field and a range of different opinions, with positive impact on the whole project cycle: better planned and better executed projects. Selection controls ensure that the most merited projects are funded.

Stage 2: The whole committed budget is checked for appropriateness (exclusion of actions not directly related to the achievement of programme objectives), enhancing the prevention of future errors and leading to a higher assurance on the achievement of the project objectives and results.

Stage 3: Monitoring, processing amendments and scrutinising costs claimed by beneficiaries contribute to the legality and regularity of the transactions. While the benefits of this stage materialise mainly in financial terms, the qualitative benefits generated by these controls are the identification of actions not directly linked to the programme objectives and therefore an overall improvement of the financial efforts carried out by the Agency.

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

Estimated overall risk at payment and risk at closure⁵⁰

In the context of the protection of the EU budget, the DGs' estimated overall risk at payment, estimated future corrections and risk at closure are consolidated at Commission level.

EASME data is shown in Table 9 and its accompanying notes below.

The estimated overall risk at payment for 2019 expenditure is EUR 31.01 million⁵¹. This is the AOD's best, conservative estimation of the amount of *relevant expenditure* during the year (EUR 1.142,13 million) 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 successive years. The conservatively estimated future corrections for 2019 expenditure are EUR 3.44million. This is the amount of errors that the Agency conservatively estimates and that will be identified and corrected by controls to be carried out in succeeding years.

The difference between those two amounts leads to the estimated overall risk at closure for the 2019 expenditure of EUR 27.57million⁵². The estimated overall risk at closure remains overall stable compared to last year (EUR 24.88-25.66 million).

EASME's weighted average risk at payment for operational expenditure decreased at

⁵⁰ This section is calculated by using the error rates based on the new approach. Please see section 2.1.1 for more details.

⁵¹ Before implementing the European Court of Auditors recommendation in relation to the methodology for the calculation of the error rate, the amount at **risk at payment** amounted to EUR 27.55 million..

⁵² Before implementing of the European Court of Auditors recommendation described in the above footnote, the amount at **risk at closure** amounted to EUR 24.20 million;

2.81%⁵³ (3.20% in 2018). This level of risk is inherent to grants based on the reimbursement of actual eligible costs claimed, in particular applicable to Horizon 2020. Complexities in determining the eligible costs lead to errors in cost claims and the related payments. Although errors are detected later during ex post controls, they still affect the level of risk at payment stage. However, EASME continuously aims to reduce the level of errors, through clearer communication of eligibility rules, risk-based ex ante checks and extension of the use of lump-sum financing. In addition, ex post controls are well established and led to significant corrections throughout the years. These corrections are used as a basis for the estimated future corrections.

The other type of expenditure (procurement, experts) and the operating budget are considered low risk types of expenditures. In line with previous years, a prudent approach is applied, by using a conservative 0.5% error rate. This type of expenditure is verified through ex ante controls. Therefore, a conservative 0.0% estimate is applied in terms of future ex post corrections. Thus, the risk at closure is equal to the risk at payment and remains at 0.5%.

⁵³ EASME's weighted average risk at payment for operational expenditure was at 2,49% before the implementation of the European Court of Auditors recommendation.

Table 9 - Estimated overall risk at closure

EASME	payments made (FY; m€)	minus new prefinancing [plus retentions made*] (in FY; m€)	plus cleared prefinancing [minus retentions released* and deductions of expenditure made by MS] (in FY; m€)	"relevant expenditure" (for the FY; m€)	Average Error Rate (weighted AER; %)	estimated overall risk at payment (FY; m€)	Average Recoveries and Corrections (adjusted ARC; %)	estimated future corrections [and deductions] (for FY; m€)	estimated overall risk at closure (m€)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Operational budget									
H2020									
Grants	1.034,2	680,15	489,43	843,46	3,30%	27,83	0,31%	2,61	25,22
Procurement	8,7	1,33	-	7,34	0,50%	0,04	0,00%	-	0,04
Experts	4,7	-	-	4,71	0,50%	0,02	0,00%	-	0,02
COSME									
Grants	73,95	41,98	84,38	116,35	1,63%	1,90	0,45%	0,52	1,38
Procurement	26,51	1,77	-	24,74	0,50%	0,12	0,00%	-	0,12
Experts	0,26	-	-	0,26	0,50%	0,00	0,00%	-	0,00
LIFE									
Grants	231,34	200,38	24,39	55,35	0,91%	0,51	0,45%	0,25	0,26
Procurement	13,39	1,21	-	12,18	0,50%	0,06	0,00%	-	0,06
Experts	-	-	-	-	-	-	0,00%	-	-
EMFF									
Grants	18,23	13,78	5,77	10,22	0,84%	0,09	0,45%	0,05	0,04
Procurement	18,94	-	-	18,94	0,50%	0,09	0,00%	-	0,09
Experts	0,23	-	-	0,23	0,50%	0,00	0,00%	-	0,00
CIP Eco I									
Grants	0,42	-	0,98	1,39	7,85%	0,11	0,45%	0,01	0,10
Procurement	-	-	-	0,00	-	-	0,00%	-	-
Experts	-	-	-	0,00	0,00%	-	0,00%	-	-
CIP IEE II	0,00	-	0,00	-	0,00%	0,00	0,00%	-	0,00
Total operational expenditure	1.430,82	940,59	604,95	1.095,18	2,81%	30,77	0,31%	3,44	27,34
Operating Budget	46,94	-	-	46,94	0,50%	0,23	0,00%	0%	0,23
Grand Total	1.477,76	940,59	604,95	1.142,13	2,72%	31,01	0,30%	3,44	27,57
%						2,72%		0,30%	2,41%

Table 9: Estimated overall risk at closure

- (1) Differentiated for the relevant portfolio segments at a level which is lower than the Agency operational budget total
- (2) Payments made or equivalent, e.g. expenditure registered in the Commission's accounting system, accepted expenditure or cleared pre-financing. In any case, this means after the preventive (ex-ante) control measures have already been implemented earlier in the cycle.
- (3) New pre-financing actually paid out by the department itself during the financial year (i.e. excluding any pre-financing received as a transfer from another department).
- (4) Pre-financing actually cleared during the financial year (i.e. their 'delta' in the Financial Year 'actuals', not their 'cut-off' based estimated 'consumption').
- (5) For the purpose of equivalence with the ECA's scope of the EC funds with potential exposure to legality & regularity errors (*see the ECA's Annual Report methodological Annex 1.1*), our concept of "relevant expenditure" includes the payments made, subtracts the new pre-financing paid out, and adds the previous pre-financing actually cleared during the FY. This is a separate and 'hybrid' concept, intentionally combining elements from the budgetary accounting and from the general ledger accounting.
- (6) In order to calculate the weighted Average Error Rate (AER) for the total relevant expenditure in the reporting year, the detected error rates following the new approach have been used – or equivalent. As regards Horizon 2020, in line with the Research family, the expected representative error rate for the full sample for H2020 at Research and Innovation Family level including draft reports has been used. For the weighted average error rate calculation above, as a conservative estimate, EASME has used only the 'max' range.

For types of low-risk expenditure with indications that the equivalent error rate might be close to 'zero' (administrative expenditure, procurement and experts), as a conservative estimate, we have used 0.5% following DG BUDG instructions.

(8) The historic average of recoveries and financial corrections (ARC) received from the central services is 2.7%.

However, EASME adjusted this value for grant management expenditure to 0.45% for all programmes but Horizon 2020. This estimation of the recovery capacity is based on average of recoveries stemming from implementation of ex-post audit results during the period 2017-2019 divided by average payments for grants for the same period.

For Horizon 2020, in line with the Research and Innovation family, EASME adjusted this value for grant management expenditure and used as best estimation: the difference between the family expected representative error rate for the full sample including draft reports (3.30%), and the EASME residual error rate including draft audit reports (2.99%).

For other types of expenditures (procurement, experts, and operating budget), we assumed that the ex-post future corrections would be 0%.

- **Fraud prevention, detection and correction**

EASME has developed and implemented its own anti-fraud strategy since 2013⁵⁴, on the basis of methodology provided by OLAF. It was last updated in December 2016 and endorsed in 2017⁵⁵. The adoption of the Commission's Anti-Fraud Strategy in April 2019 provided a good opportunity to update it again⁵⁶.

The proposed new anti-fraud strategy aims to (i) create an organisational culture against fraud; (ii) cooperate with other Commission services and executive agencies; (iii) integrate the action points foreseen in the 2019 Commission's and Research Family's anti-fraud strategies; (iv) reinforce existing actions and cover new areas.

Implementing the strategy will allow EASME to maximise the effectiveness and efficiency of the measures to fight against fraud: increase anti-fraud checks in ex ante controls; increase collaboration with OLAF; review the mandate and working arrangements of EASME's Anti-Fraud Committee; increase awareness among all staff; take measures as soon as doubts are raised (eg. EDES, contractual measures), without waiting for OLAF's final findings.

The proposal takes into consideration (i) the six-monthly assessment reports on the level of implementation of the current anti-fraud strategy; (ii) the assessment of the fraud risks; (iii) the 2019 survey on Internal Control; (iv) and several meetings and workshops with OLAF and relevant services in the parent Directorates-General.

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

In 2019 EASME carried out a fraud risk assessment, taking into account: input of the Agency's working group, relevant audit work (IAS ex-post controls), conclusions from fraud cases, workshops organised by OLAF and information exchanged in the relevant networks. The assessment concluded that the likelihood of fraud risk in EASME's activities was low.

During 2019, 20 new cases involving EASME's beneficiaries were opened by OLAF. EASME's Anti-Fraud Committee met once in 2019 to discuss potential cases based on the findings of external audits on some beneficiaries.

At the beginning of 2019, EASME reported to OLAF the actual status of the implementation of the OLAF financial recommendations. EASME also referred cases to the EDES panel following the conclusion of OLAF's investigations in some cases (in view of the exclusion / early detection of some economic operators).

2. Efficiency = the Time-to-... indicators and other efficiency indicators

In this section, we consider the control efficiency ratios for each of the four stages of controls:⁵⁷

- i. Control efficiency Stage 1 – average time to inform

⁵⁴ EASME's first anti-fraud strategy was adopted on 17.12.2013

⁵⁵ Revision of EASME's anti-fraud strategy of 10 March 2017

⁵⁶ The procedure for its adoption is ongoing and follows the current OLAF's methodology.

⁵⁷ For more details please see annex 10 part C

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

Control efficiency Stage 2 – average time to grant

The average time to grant is below the target for all programmes, except for the EIC Pilot Phase I, where the limits of 3 months is exceeded only by 9 days. For more information please refer to the KPI table in the Executive Summary.

It should be noted that TTG for the LIFE applications have also improved due to the introduction of a two-stage approach for the submission of applications. This is a significant simplification for beneficiaries and an efficiency gain for EASME.

Control efficiency Stage 3 – average time to pay

The vast majority of the payments of the Agency are performed within the legal deadlines; in addition, the discrepancies from the target of 100% are minimal.

EASME processed 2.000 more payments in 2019 compared to 2018 (from 5.800 to 7.800 transactions) for the operational budget alone. Notwithstanding the increase in the number of operations, the proportion of payments made within legal deadlines improved from 99.4% to 99.8%.

Similarly, the number of transactions on the operating budget increased by 11% and the TTP improved from 96.9% to 99.5%. This can be explained by the introduction of the financial management tool Speedwell in late 2018, which improved efficiency.

Control Efficiency Stage 4– ex post controls

By the end of 2019, on average, **87.45%** had been recovered⁵⁸ from detected errors in value-based audits, on a cumulative basis from the beginning of each programme. The remaining 12.55% is mainly linked to final audit reports which were closed near the year-end, for which the implementation of audit findings is expected to be issued in 2020. For Horizon 2020, please refer to DG RTD AAR.

3. Economy = the cost of controls

Cost of control – all Stages

The calculation of the cost of controls has been done taking into account the number of relevant Full Time Equivalents (FTE) working in each function⁵⁹ related to the pertinent control stage, in line with the applicable methodology⁶⁰. The Agency also took into account other costs related to external experts⁶¹.

⁵⁸ For more details, please refer to in Annex 10.

⁵⁹ The number of FTE per stage has been multiplied by the commission standard costs (170.900 EUR for Officials and Temporary Agents, 109.400 for AST official or Temporary Agent and 100.300 EUR for Contractual Agents group IV and 69.600 for group I-III).The repartition of staff workload over the 3 stages of ex-ante controls has been estimated as follows: 15% for stage 1, 15% for stage 2, 70% for stage 3, considering the direct and indirect grant management and overheads

⁶⁰ The costs of ex-ante control stages are calculated taking into account the number of FTEs working in the operational units, in accordance with the allocation given by the AOSD to the activities of grant management and horizontal activities. The calculation of Stage 4 –ex-post controls takes into account the actual costs, namely the expenses incurred for external audit companies and the FTEs working on ex-post controls.

⁶¹ such as: for the evaluation and monitoring phases and the performance of ex-post audits at beneficiaries

Both the costs for experts hired for the evaluation phase borne by REA and the costs of ex-post control related to H2020 borne by the Common Implementation Centre of DG RTD are expressed at global level, without a split per client entity. EASME has taken into account the share of such costs by proportion, using its share of H2020 budget as allocation key. The calculation of Stage 4 – ex-post controls takes into account the actual costs, namely the expenses incurred for external audit companies and the FTEs working on ex-post controls. As per the ex-ante stages, the number of FTEs has been multiplied by the applicable Commission standard costs.

When compared to the amounts managed, the costs of control show reasonable percentages. A global ratio of 3.98% of cost of controls over the total amount managed is considered a good result. The share of the corporate cost of controls borne by the Common Implementation Centre (CIC) of DG RTD for ex-ante and ex-post controls, and by REA for the validation of experts has been taken into account to establish the total amount of cost of controls.

	Costs of controls	Amounts managed	Ratio costs/amount
ex-ante controls (operational budget)	42,16 €	1.430,82 €	2,95%
ex-ante cost of controls from CIC	3,81 €	1.034,18 €	0,37%
ex-ante cost of controls from REA	8,94 €	1.034,18 €	0,86%
ex-post controls (amount audited in 2019)	0,98 €	28,18 €	3,49%
ex-post cost of controls from CIC	1,06 €	826,36 €	0,13%
Total cost of controls	56,95 €	1.430,82 €	3,98%

Table 10: costs of controls (in million EUR)

Compared to last year, EASME detects a decrease from 4,33% to 3,98% in the ratio of cost of controls over the total amounts managed. The main reason of such decrease is due to higher level of amounts managed, while the level of cost of controls remained substantially stable.

Cost of controls: EASME costs per stage

Costs per stage	Staff costs	Other costs	TOTAL
stage 1 (15%)	4,71 €	0,00 €	4,71 €
stage 2 (15%)	4,71 €	0,00 €	4,71 €
stage 3 (70%)	21,98 €	10,77 €	32,74 €
stage 4	0,49 €	0,50 €	0,98 €
Total	31,88 €	11,26 €	43,14 €

premises; the costs are established from the total amounts disbursed to those experts during 2019

Table 11: EASME costs per stage (in million EUR)

The above table gives an overview of EASME costs per stage⁶². The staff costs of controls related to the four stages of grant management have been estimated taking into account (i) direct costs, namely the staff of the operational and finance units directly dealing with grant management and (ii) indirect and overhead costs by applying an allocation key. The external costs include expenses paid for evaluation and monitoring experts, missions, and the external contractor dealing with ex-post control audits.

4. Conclusion on the cost-effectiveness of controls

Based on the most relevant key indicators and control results, EASME 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.

EASME has a stable control environment and its control strategy is consistent to previous years. Overall, EASME has a very good performance in the efficiency ratios (time to pay, time to grant) and no error rates above the materiality threshold among all the current programmes managed. The introduction of the “de minimis” rule have lifted the reservations related to the legacy programmes. As concerns the previous reservation for COSME programme, a more comprehensive basis of audited projects and the implementation of the measures on ex ante level have allowed the Agency to lift this reservation.

The principles of effectiveness, efficiency and economy are respected and the balance among low error rates, fast payments and low cost of control is considered adequate across the four stages of controls. This shows that the control strategy applied is well suited as it achieves the objectives efficiently and at a reasonable costs. Consequently, the control strategy will be maintained.

2.1.2 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.

The Agency is audited by independent auditors: the Commission Internal Audit Service (IAS) and the European Court of Auditors (ECA). The following audits were carried out during the reporting year⁶³ and resulted in the following conclusions:

IAS

- Audit on project management under the 2014-2020 LIFE programme ⁶⁴:

The audit resulted in one “very important” recommendation, namely to use risk-related information to define the level of control and to enhance the cost-effectiveness of controls for the LIFE programme. Two other “important” recommendations were issued on (i) the monitoring of access rights in the Butler IT tool and (ii) to further develop the procedure on the monitoring of the external contractor and the related KPIs. The Agency's action plan was accepted by the IAS

⁶² For information about the control benefits see annex 10, part B

⁶³ The internal audit reports considered are the final IAS reports issued in the period 01/02/2019 – 31/01/2020.

⁶⁴ Audit on project monitoring, payments and amendments. IAS final report from 3 October 2019. EASME action plan issued on 23 October 2019

and aims to address the IAS recommendations by June 2020. Several sub-actions were undertaken in 2019, such as updated risk-based controls, reporting template and checklists.

- Follow up audit on the "Management of Human Resources in EASME"⁶⁵, all three "important" audit recommendations have been closed by the IAS⁶⁶

ECA

Operating budget

The Court expressed the opinion that the Agency's 2018 annual accounts presented fairly its financial position. The transactions underlying the annual accounts were legal and regular in all material aspects. Two comments were raised related to (i) the update of the sensitive posts policy and (ii) a high cancellation rate of budget appropriations. These points do not call the Court's positive opinion into question and were properly addressed in the Agency's replies and actions.

Operational budget

The Court finalised the audits of eight transactions for the DAS 2018 and four transactions for the DAS 2019 operational budget.

Statement of Assurance (DAS) 2018

All sampled payments concerned the H2020 programme. Out of eight audits:

- Five did not have any audit findings;
- One had no quantifiable impact and identified weaknesses in time recording;
- Two audits resulted in an error rate of respectively 3,5 % and 16,8 % following ineligible staff costs. As the latter concerns the remuneration of SME owners in Italy which is regulated by specific local rules, the Agency's ex-post control will carry out an ex-post audit on the spot in the first quarter of 2020 to define if these staff costs are eligible or not.

Statement of Assurance (DAS) 2019

Out of nine transactions sampled for the DAS 2019, four audits have been finalised so far⁶⁷, all related to the H2020 programme:

- Two did not have any audit findings;
- Two other audits did not result in a quantified error rate but identified respectively:
 - weaknesses in the procurement process and an incorrect conversion of costs incurred in a foreign currency and
 - a late transfer of EU funds from the coordinator to the partners.

ECA performance audits

During 2019, the Agency was involved in several performance audits on programmes managed by the Agency and the parent DG(s). EASME was a main auditee, together with

⁶⁵ IAS final audit report issued on 23 June 2017 and EASME action plan on 19 July 2017 :

⁶⁶ (i)Improvement HR & LD strategy; (ii) revision HR recruitment manual, (iii) update workload assessment

⁶⁷ At 31 January 2020

DG RTD, in the following audit⁶⁸: “The SME Instrument in action: an effective and innovative programme facing challenges”. The ECA concluded that the SME Instrument provides effective assistance to SMEs in developing their innovation projects and the Commission competently manages the instrument. The ECA recommends to improve the targeting of beneficiaries, the geographical outreach, the selection of projects and to attract additional funding helping to bring innovation projects to market.

General conclusions:

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

None of the very important recommendations are overdue by more than six months. The action plans for ongoing audit recommendations - due in 2020 - are closely monitored.

The IAS concluded that the internal control systems in place for the audited processes are effective⁶⁹, except for one very important recommendation issued for the audit on LIFE project management in October 2019. As outlined above, the Agency will implement this recommendation related to the planning, design and cost-effectiveness of controls by 30 June 2020.

2.1.3 Assessment of the effectiveness of the internal control systems

The Commission has adopted an Internal Control Framework 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.

EASME uses the organisational structure and the internal control systems suited to achieving its operational 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 Agency monitors the performance of the internal control systems in order to determine whether they work as intended and ensuring that any control weakness in the system is detected, analysed, considered for improvement and corrected with cost effective measures if necessary. These reviews are based on the following sources of data that internal control teams collect during the year: i) results of an internal control survey questionnaire, ii) follow-up on the implementation of the actions in the improvement plan iii) conclusions on the registry of exceptions and non-compliance events recorded during the year, iv) results of the risk assessments, v) relevant audit results, vi) results of monitoring the anti-fraud action plan and vii) declarations of assurance by Authorising Officers by sub-delegation. The assessment of the effectiveness is based on these sources of information and professional judgement.

For 2019 the internal control function addressed the following areas of improvement including the following priority areas:

1) Business Continuity

The global Business Continuity Awareness Week took place from 13 to 17 May. EASME took the opportunity to raise awareness and build capacity in this domain through an

⁶⁸ In other performance audits, EASME was involved to a limited extent (eg interview, data collection). For the ECA audit *EU action on Ecodesign and Energy Labelling*, EASME was audited on a number of sampled projects.

⁶⁹ IAS contribution to the 2019 AAR - ARES(2020)396255 of 13 February 2020

internal quiz to assess the maturity of the Agency and identify further internal control improvements. Following this week, an internal Business Continuity Network was launched to reinforce the function and work on priority areas for 2019. The network includes selected functions throughout the Agency to ensure continuity. It will promote awareness throughout the Agency as well as reinforce EASME's Duty Officer System.

2) Awareness raising and communication activities

EASME continues to raise awareness around the new Internal Control Framework. It has collaborated and shared best practice with other Executive Agencies and parent DGs as well as with the central services.

During an internal control awareness week, EASME raised awareness through five thematic sessions and one overall presentation for 180 participants, attracting a satisfaction rate of more than 80%⁷⁰. A video⁷¹ prepared for the event was the result of the cooperation between REA, EASME and ERCEA, and was shared among the EAs and parent DGs.

EASME's Internal Control Community continued to meet quarterly to share knowledge and build the capacity to identify, monitor and report on internal control issues at unit levels. In addition, the Agency identified the indicators, monitoring criteria and key priority areas for improvement in 2020 and targeted actions following the results of the internal control self-assessment.

EASME has assessed its internal control system during the reporting year and has concluded that it is effective and that the components and principles are present and functioning as intended. Nevertheless, while some principles are functioning overall, some improvements are needed to rectify minor deficiencies⁷².

2.1.4 Conclusions on assurance

This section reviews the assessment of the elements reported above (in Sections 0, 0 and 0), the sub-conclusions above, and draws the overall conclusion supporting the declaration of assurance and whether it should be qualified with reservations.

The audit results, the internal control assessment and the control indicators do not reveal any significant weaknesses and do not fulfil any of the materiality criteria laid down in Annex 4 of this report.

For the legacy programmes, following the audit results closed at the end of 2019, the multi-annual residual error rate is at [2.68-2.72%]⁷³ for CIP Intelligent Energy Europe II and at [1.98-5.75%] for CIP Eco-Innovation, above the materiality threshold of 2% expected for the multi-annual period. Given the introduction of the 'de minimis threshold' for financial reservations, EASME concluded to lift the related reservations as they both fell below the threshold introduced this year at EC level⁷⁴. For CIP Intelligent Energy Europe, the percentage of total payments and financial impact is nil; for CIP Eco-Innovation, the percentage of total payments is 0.03% and financial impact is at 1.39 M EUR.

As regards COSME, by the end of 2019 and on a cumulative basis, the residual error rate

⁷⁰ EU Learn reports

⁷¹ Video is available on [Budgweb](#)

⁷² Please refer to Annex 11

⁷³ For more details on the minimum-maximum rates used, please refer to Annex 10.

⁷⁴ Quantified AAR reservations related to residual error rates above the 2% materiality criteria are deemed not substantial and are no longer needed for segments representing less than 5% of the DG's total payments and with financial impact below 5 million

is at 1.59%⁷⁵. Therefore, EASME has decided to lift the reservation, as the residual error rate is below the materiality threshold of 2%.

EASME does not have any critical new or outstanding audit recommendations, nor a combined effect of a number of very important recommendations, which could have a material impact on the achievement of the internal control objectives and the assurance. Audit recommendations due in 2019 were addressed within a reasonable timeframe without significant delays.

The lessons learned from the indicators of ex-ante and ex-post controls together with the strengths and weaknesses highlighted in the audits conducted previously, led to the conclusion that the Agency has reasonable assurance⁷⁶ that its internal control system is adequately designed and that it works as intended.

Overall Conclusion

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

⁷⁵ Before implementing an European Court of Auditors' recommendation to the Commission related to the methodology of the calculation of the error rate, the residual error rate for COSME amounted to **1,24%**. Please refer to section 2.1.1 for more details.

⁷⁶ Even an effective internal control system, no matter how well designed and operated, has inherent limitations – including the possibility of the circumvention or overriding of controls – and therefore can provide only *reasonable assurance* to management regarding the achievement of the business objectives and not *absolute assurance*.

2.1.5 Declaration of Assurance and reservations

DECLARATION OF ASSURANCE

I, the undersigned,

Executive Director of EASME

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 view⁷⁷.

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

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex-post controls, the limited conclusion of the Internal Auditor on the state of control, the observations 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 EASME or those of the Commission.

Brussels, 31 March 2020

/e-signed/

Julien Guerrier

⁷⁷ True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG/Executive Agency.

2.2 Other organisational management dimensions

The Agency is continuously trying to improve its functions with a view of investing its resources in the most economical and efficient manner. In 2019, EASME held intense discussions with all Executive Agencies to reflect on ways to enhance synergies and efficiencies in the field of horizontal functions (HR, IT for example). As a result of the exercise, two joint notes were sent to the European Commission's central services (DG HR, DG BUDG, Secretary General), including the analysis of identified business processes and potential human resource savings for the future delegation period.

In addition, the following initiatives were launched:

- **Providing accounting services to the Consumers, Health, Agriculture and Executive Agency (CHAFEA): the service would include carry out of accounting tasks of CHAFEA by EASME accounting officer during the first quarter of 2019.**

Based on the MoU between CHAFEA and EASME (8 January 2019) concerning the function of accounting officer of CHAFEA, EASME provided accounting services over the first 9 months of 2019. Originally, these services were planned until CHAFEA appointed a new Accounting Officer (from mid-January until April/May 2019). However, the period was extended until the end of September as CHAFEA's management decided to sign a SLA with DG BUDG for the provision of accounting services. The cooperation was successful: CHAFEA accounts' closure went smoothly, no negative comments were received from the Court of Auditors and in addition, daily tasks were completed on time.

- **Organisation of common selection procedures with other executive agencies**

EASME participated in a common selection piloted by REA for Human Resources officers – data analytics. EASME is leading a common selection procedure (with INEA and CHAFEA as participants) aiming at recruiting Administrative Assistants. Organising common procedures has significant potential in generating synergies and efficiencies between agencies.

- **Simplification of the workflow / planning and approval process of missions performed by Agency's staff: taking into account the results of the survey among staff, the aim will be to create a more efficient workflow for the mission process.**

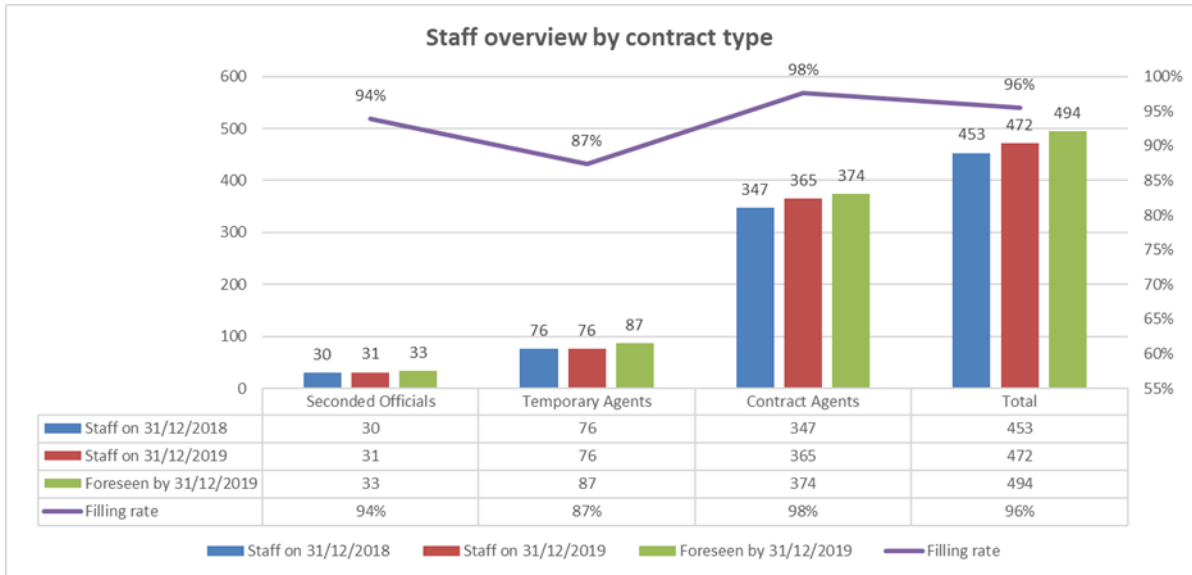
A taskforce, with representatives from the different units, the Staff Committee and the Greening group of the Agency, issued a report and revised EASME internal guidelines for missions, in order to improve and simplify the mission process.

The guidelines entered into force on 1 January 2020. The main changes include (i) shorter approval flow for the vast majority of mission orders; (ii) removal of redundant documents, (iii) the number of project monitoring visits based on the unit's analysis and planning and (iv) measures to reduce the environmental impact of missions. This will result in a faster processing of missions and more cost-effective controls.

2.2.1 Human resource management

Staffing overview

In accordance with EASME's establishment plan and budget, 494 posts were allocated to the Agency in 2019. On 31 December, EASME employed 472 staff, thus 96% of foreseen posts were filled. In 2019 EASME grew by 4,2% in comparison to 2018.

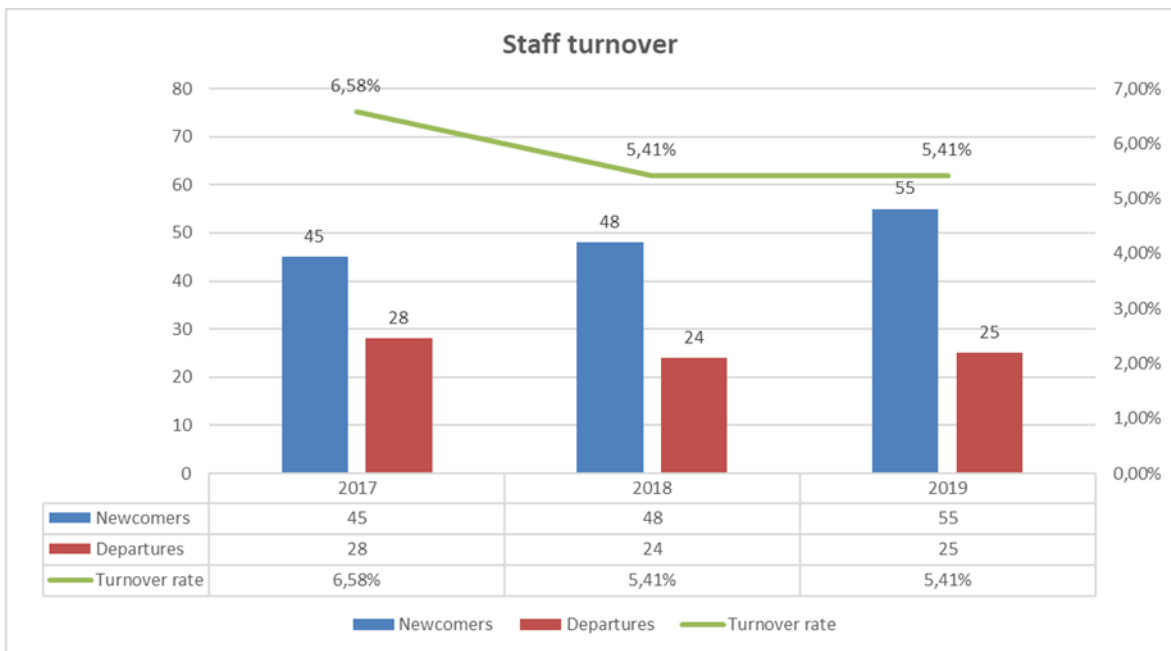


Graph 1: Staff overview in the years 2018 and 2019.

See annex 2 for a more detailed breakdown of figures provided in the above table.

Structural understaffing for the LIFE programme continued to be a challenge in 2019 as in previous years. EASME used the “flexibility mechanism” to redeploy resources to the LIFE programme. In addition to the continued reduction in internal horizontal resources related to the LIFE programme, for 2019 EASME redeployed 1.8 posts foreseen for Horizon 2020 ‘Environment and Resources’. As in previous years, EASME reallocated its resources within the central finance unit in accordance with the workload needs.

On 31 December 2019, the overall gender balance ratio in EASME was 61.2% women and 38.8% men. The percentage of women in management posts (from Heads of Sector up to the Director) was 42.9% in comparison with 57.1% men. Among senior managers (from Head of Unit upwards, appointed by the parent DGs) the percentage of female managers stood at 27.3%.



Graph 2: Turnover rates in 2017, 2018, and 2019.

The turnover rate in 2019 was 5.41% (the same level as in 2018 and a decrease from the 6.58% turnover rate of 2017). Most staff departures were due to employment opportunities within different European institutions.

EASME launched a total of 76 selection procedures: 25 were external procedures to establish reserve lists (9 for temporary agent posts and 16 for contract agent posts); 34 procedures were launched in the framework of the internal mobility and two in the framework of inter-agency mobility. In total, EASME screened 3.371 CVs, and organised and conducted 529 interviews and written tests for 105 candidates. The average time to fill a vacant post (excluding seconded officials⁷⁸) was 5,6 months⁷⁹. This figure is higher than in 2018 due to the high increase in the number of recruitment procedures and in the number of applications received.

In 2019, EASME developed a new recruitment strategy and focused on enhancing efficiency in procedures while ensuring transparency and equal treatment towards candidates. EASME also developed its first pilot project on employer branding (an "EASME Recruits" corner at the World Circular Economy Forum in Helsinki) to promote EASME as top employer and attract potential candidates with the competencies it needs from countries which are currently underrepresented in the Agency.

In 2019 the Managerial Excellence programme focused on peer learning and knowledge sharing for managers, using training sessions, lunchtime conferences, discussion tables, thematic groups and management workshops.

Creating opportunities for career development through mobility was another focus area. This was supported through job shadowing schemes (internal, inter-agency and with EASME's parent DGs) and through the reinforcement of the career guidance offer.

In line with the objectives of building a respectful and safe culture, EASME adopted the following policies on anti-burnout, social assistance and women empowerment.

Objective : EASME deploys effectively its resources in support of the delivery of the Commission's priorities and core business, has a competent and engaged workforce, which is driven by an effective and gender-balanced management and which can deploy its full potential within supportive and healthy working conditions.		
Indicator 1: Percentage of staff who feel that the Agency cares about their well-being		
Source of data: Commission staff survey /EASME Pulse check		
Baseline (2018) 72%	Target (2019) 76%	Result not measured in 2019 will be measured in 2020 staff survey
Indicator 2: Staff engagement index		
Source of data: Commission staff survey		
Baseline (2018) 71%	Target (2020) 72%	Result not measured in 2019 will be measured in 2020 staff survey
Indicator 3: Percentage of posts filled by the end of 2019		
Source of data: EASME/C2		
Baseline (2018)	Target (2019)	Result

⁷⁸ The selection process of the seconded officials is not under the control of EASME as it is carried out by the parent DGs.

⁷⁹ The time includes the period from when the post becomes vacant until the new recruit is in place.

97%	98%	96% (for the remaining vacant posts, recruitment procedures were ongoing at end of 2019 with the expected arrival of the 8 staff in early 2020).
Indicator 4: professional growth: Percentage of staff who has the opportunity to participate in learning & development activities needed for efficiency in the own job Source data: Commission staff survey		
Baseline (2018) 77%	Target (2019): 80%	Result not measured in 2019 will be measured in 2020 staff survey
Indicator 5: Percentage of positive replies as regard to the question "Listening to staff is important in my Agency" Source of data: Commission staff Survey/EASME Pulse check		
Baseline (2018) 79%	Target (2019) 80%	Result not measured in 2019 will be measured in 2020 staff survey

Staff engagement

The Agency fosters a bottom-up, listening culture based on empowering staff to contribute to the overall business goals and outcomes, and managers listening to staff. EASME's "**Sounding Board**" is the umbrella under which different EASME colleagues work together to develop new solutions in fields that matter most to staff. A quarter of staff is involved in Sounding Board activities. In total, more than 15 staff engagement events were organised in 2019.

In 2019 EASME received the results of the 2018 staff survey, which reflected positively on the work that has been done to engage staff to date.

- 79% feel that listening to staff is important (+ 29% compared to 2016)
- 79% feel that their opinion is valued (+ 13% compared to 2016)
- 86% feel that EASME is an attractive workplace (+ 20% compared to 2016)
- 86% feel that EASME encourages collaboration and involvement with staff (+18% compared to 2016).
- 60% of staff feels that EASME is encouraging its staff to be innovative in the workplace (+ 17% compared to 2016).

Taking on board the staff survey results and with a view to further improvement, EASME has built a **Staff Survey Development Plan**. The plan is based on feedback from staff, management and the Agency's HR-sector. A communication plan ensures that staff are informed at all times about the status of the different actions and the progress made. EASME's innovative approach to staff engagement was singled out by DG HR as a good example.

Business transformation

In 2019, EASME launched its **Get Inspired Programme** to bring together insights and reflections about the world we are living in and help staff to work towards a more fulfilling life, both professionally and privately. The sessions had a TED Talks-style format with an inspiring guest speaker. In total, 10 sessions were organised attracting 350

participants.

Social Dialogue

In 2019, EASME's Director had regular bilateral meetings with the Staff Committee and Trade Unions as well as joint meetings with all Trade Union Representatives. Following on from these positive contacts, EASME began working on a Memorandum of Understanding between all Executive Agencies and Trade Unions.

2.2.2 Better regulation (only for DGs managing regulatory acquis)

n.a.

2.2.3 Information management aspects

The Agency's central IT team takes care of project support and governance, part of infrastructure and developments. It delegates to the operational units the management of their specific IT activities, mainly concerning the EIC Pilot, Enterprise Europe Network and LIFE (since end 2018). Together, the IT teams (central and in units) supported a number of IT projects and activities:

IT highlights related to **programmes** managed by EASME in 2019 included:

- **EIC Pilot:** continued development of IT tools including support to the Business Acceleration Services; and scaling up collaboration with DG RTD CIC service to co-create the future EIC IT systems.
- **Enterprise Europe Network:** initiation of a revamp of the IT tools used by the Network, scheduled to be finalised for the Network's next mandate in 2021.
- **EIC and EEN** collaboration on the development of their community platforms (based on the same technological foundation) and contribution to a Commission-wide project to build a corporate external collaboration platform in 2020.
- **LIFE:** IT Tools set for grant management including e-submission of proposal, evaluation and project management.

Several **internal projects** improved processes related to recruitment, employment, project management etc. In addition, EASME:

- continued to align with the **corporate governance**, in particular with a listing of web sites and a proper declaration in GovIS.
- delivered an **improved office environment**, by migrating all its machines to Windows 10 and offering cloud solution for the development of new projects.

Data protection

EASME closely monitored the implementation of its Data protection action plan to ensure the highest possible compliance with the applicable data protection rules⁸⁰, taking into account the suggestions of the Commission's Data Protection Action Plan of 7 November 2018⁸¹. In addition, the Agency has put in place significant efforts throughout 2019 to raise awareness and train management and staff on the new obligations to protect personal data. Subjects included: compliance of online services, service contracts and the correct identification and handling of data breaches. The management was regularly

⁸⁰ Regulation (EU) 2018/1725.

⁸¹ C(2018) 7432).

informed by the Data Protection Officer on the different actions taken to implement the data protection action plan. A number of steps were taken to ensure compliance with the new data protection rules, including:

- Establishment of a complete inventory of all data processing operations in the Agency (updated at least bi-annually);
- Assessment of compliance with general principles (Art. 4 Reg. 2018/1725), such as lawfulness, data minimisation and storage limitation are included in the template for Records to be established for ongoing or new processes;
- Appropriate information provided to the data subjects concerned through concise and intelligible data protection notices by data controllers; updates are ongoing, new templates are available;
- Drafting of internal rules governing the restrictions of data subjects rights as the Legal Service of the Commission confirmed finally that the Agency has to adopt its own internal rules to restrict data subject's rights where necessary. Once the draft of the internal rules is approved by the EDPS, they can be adopted by the EASME Steering Committee and published in the Official Journal;
- Update of internal procedures and implementing rules is ongoing.

2.2.4 External communication activities

All EASME's communication actions contributed to the following general objectives:

- A new boost for Jobs, Growth and Investment;
- A resilient Energy Union with a forward-looking climate-change policy.

External communication

In 2019 EASME participated in numerous **events** with selected project beneficiaries to give concrete examples on the impact of EU funding. Highlights included:

- **All programmes:** EASME was present at the **ECOMONDO** fair in Rimini with **30 selected circular economy projects from all programmes managed by EASME** (COSME, EIC pilot, EMFF, Horizon 2020 and LIFE) and one-to-one meetings between stakeholders and EASME experts. The Enterprise Europe Network supported the stand presence.
- **European Innovation Council (EIC):** featured heavily at the RTD days event in particular at the Innovative Europe Hub sessions (incorporating networking, matchmaking and interactive sessions). EASME's coverage on its social media channels, generated 1.3 million impressions.
- **Horizon 2020 Environment and Resources:** EASME played an active role at two major events: **World Circular Economy Forum:** promoted several agency-managed programmes and invited selected projects to do so by presenting their work and results; **European Climate Change Adaptation conference:** 30 Horizon 2020 and LIFE projects managed by EASME actively involved; collaboration with several Commission DGs, the European Investment Bank (EIB), the European Institute for Technology Knowledge and Innovation Community (EIT Climate KIC), and the European Environment Agency (EEA) - all present at EASME's stand.
- **Horizon 2020 Energy Efficiency: EU Sustainable Energy Week** attracted the maximum number of participants and sessions and a satisfaction rate of 91% among participants (see detailed statistics below).
- **LIFE:** EASME joined DG CLIMA and DG ENV with two LIFE projects at the EU Open

Doors Day and contributed to the **EU Green Week** by showcasing LIFE beneficiaries, organising a pitching event to the media (Sparkshow), and the LIFE awards ceremony.

- **COSME: EU Industry Days** exhibition showcased more than 30 projects funded under COSME and other programmes.
- **EMFF: EASME** promoted five projects in the pitching session at the **European Maritime Day** in Lisbon. Three other EASME projects presented the advantages of EU programmes at the workshop "Building bridges to the market: how to make the most of EU funding opportunities"

In addition to these physical events, EASME increased the number of followers on **social media** in 2019. EASME managed Twitter accounts now have more than 150,000 followers – an increase of 18% since 2018

Internal communication

Staff engagement remained a priority for internal communication activities. An Away Day gave the opportunity to bring staff together, highlight achievements and discuss upcoming priorities. This was supported by regular information to staff on the agency and its programmes including: a weekly newsletter (42 issues), monthly digital magazine (8 issues), weekly videos summarising the management meetings (22 videos), daily articles on the intranet. Staff polls (eight times), also allowed for valuable staff feedback on key priorities and issues.