



2019

Annual Activity Report

Annexes

**Directorate-General
for Internal Market,
Industry,
Entrepreneurship and
Small and Medium-
sized Enterprises
(DG GROW)**

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

"I declare that in accordance with the Commission's communication on the internal control framework¹, I have reported my advice and recommendations on the overall state of internal control in the DG to the Director-General.

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

Brussels, 31 March 2020

e-Signed

Valentina Superti

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

¹ C(2017)2373 of 19.04.2017.

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

Human Resources

Overview on Human Resources

		2019					
		Target	1st quarter	2nd quarter	3rd quarter	4th quarter	Comments
STAFFING	# Officials						
	AD		506	513	525	530	
	AST+SC		253	252	261	261	
	%TA2b	<3%	3,2%	3,5%	4,3%	3,9%	
	AD/AST ratio		2,0	2,0	2,0	2,0	
	Ratio of statutory staff working > 65		0,2%	0,0%	0,1%	0,3%	
	# External staff (excluded SLB)						
	Contract agents		113	116	119	119	
	Interimaires		9	14	11	15	
	ENDs		39	38	39	39	
	IntraMuros		18	18	19	19	
	ExtraMuros		45	49	55	56	
	Local Staff		1	1	1	1	
	Total External Staff		225	236	244	249	
	External staff / Total staff		22,9%	23,6%	23,7%	23,9%	
	NEPT (statutory code=STA)		4	3	0	0	
	Vacant jobs						
	Vacancy rate	<5%	6,5%	5,5%	2,8%	2,3%	
	Management		5	4	2	3	
	AD		32	23	7	7	
	AST+SC		17	18	14	9	
	Vacancy duration (months)		/				
	Management		/				
	AD		/				
	AST		/				
	Sensitive posts and functions						
	Managers on the same post > 5 years		9	8	8	8	
	- of which > 7 years	0	4	3	3	3	
	Overheads						
	% overheads *						

MOBILITY	Internal mobility (cumulative)					
	AD		8	12	14	20
	AST		6	8	8	21
	External mobility (cumulative)					
	AD arriving		21	42	66	78
	- of which laureates		0	5	8	13
	AD leaving		24	37	51	59
	Net balance		-3	5	15	19
	AST arriving		13	20	35	42
	- of which laureates		0	2	8	8
	AST leaving		5	9	12	17
	Net balance		8	11	23	25
	Staff on the same post > 5 years	reduce	183	184	198	198
AD		116	119	128	132	
AST		67	65	70	66	
RIGHTS & OBLIGATIONS	Sickness absence					
	Average number of absence days (cumulative)		4,6	7,8	10,7	14,3
	Average number of absence days (per trimester)		4,6	3,2	2,9	3,6
	Part time					
	% statutory staff working part time		10,3%	9,8%	9,3%	9,1%
	AD		7,7%	7,6%	6,9%	6,4%
	AST		15,4%	14,3%	14,2%	14,6%
	Telework					
	% statutory staff teleworking		15,4%	14,9%	14,5%	15,3%
	AD		11,9%	11,7%	10,5%	11,1%
	AST		22,5%	21,4%	22,6%	23,8%
	Complaints					
	Art 90					
	- of which won					
	Ethics					
Ethics requests received		8	5	9	9	
- of which approved by R2		8	5	9	7	
EQUAL OPPORTUNITIES	% AD women (excl. mgmt)		43,8%	44,5%	44,5%	43,8%
	% women on newly recruited AD staff (cumulative)		0,0%	40,0%	62,5%	46,2%
	% women in DHoU functions		44,2%	45,2%	46,5%	45,2%

	% women of newly appointed DHoUs (cumulative)		100,0%	100,0%	66,7%	66,7%	
	% women in middle management jobs	30%	44,2%	44,2%	44,2%	45,5%	
	% women of newly appointed middle managers (cumulative)		0,0%	0,0%	0,0%	0,0%	
	% women in senior management jobs		23,1%	25,0%	25,0%	27,3%	
LEARNING AND DEVELOPMENT	Average number of training days (cumulative)	>7.5/year	1,2	1,8	3,1	3,7	
	% of absenteeism to training actions		28,8%	27,3%	29,1%	31,5%	
	% staff in the financial workflows that have undergone financial mandatory trainings						No data available
HORIZONTAL ISSUES	Evacuation test						
	Duty Officer test (once a year)						

* This figure is communicated once a year by DG HR.

Target as set in management plan

Internal/non formalised target

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

Indicator 1: Percentage of female representation in middle management

Source of data:

Baseline (2015) 19%	Target 35% by 2019 <i>Indicate targets for each Directorate-General adopted by the Commission on 15 July 2015 – SEC(2015)336</i>	Latest known results 41% female representation in DG GROW middle management at end-2019
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Indicator 2: Percentage of staff who feel that the Commission cares about their well-being²

Source of data: Commission staff survey

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

Source of data: Commission staff survey

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

² This indicator may be replaced by a fit@work index on which DG HR is currently working.

Description	Indicator	Target	Latest known results
To ensure an engaging environment and good working conditions, with active communication	Use of collaborative tools, percentage of staff using DG GROW's collaborative platform - GROWnet	90% of all staff using DG GROW's collaborative platform	End of 2019: - 99% registered users - out of those - 78% were active users ³
Awareness-raising and pro-active talent identification for a more balanced middle management	Number of female candidates applying for middle-management positions	>25% of the candidates	54% female candidates end-2019 (47% end-2018, 39% end-2017)
	Number of female candidates recruited on middle-management positions	40% of female middle managers	41% of female middle managers end-2019 (Constant since 2018 and growing with respect the 38% registered at end-2017)
	Geographical balance of middle management	Increase the number of nationalities represented in middle management and deputy head of unit positions	Maintained stable at 19 nationalities (end-2019), compared with 19 (end-2018 and end-2017) and 16 (end-2016)
Main outputs in 2019			
Description	Indicator	Target	Latest known results
To nurture the potential of our staff and offer career development perspectives, promoting a culture of internal mobility	Average number of applications for internal publications	< 10% of non-successful publication	47% of internal publications concluded without appointment in 2019 (25 in total in 2019)
	Number of persons on their job for more than 5 years	Reduce the number by the end of the year via career guidance and awareness raising of internal publication	Decreased to 173 end-2019 with respect 191 persons at end-2018 and 198 at end-2017
To develop leadership potential	Percentage of managers having followed individual coaching in the last three years	60%	30% in 2019 (53% in 2018 (50% in 2017)
	Percentage of deputy heads of unit having followed leadership courses in last three years	50%	12% at end-2019 (9% at end-2018)

The promotion of a culture of internal mobility has been pursued in the DG through a number of internal publications during the whole year. However, it resulted in a low number of successful publications. One of the main reasons for this outcome was the perceived need of stability of the DG and the various services. DG GROW is already planning how to further promote the culture of internal mobility during 2020 with new tools.

The development of leadership potential within the DG has been strongly promoted in last years through multiples activities on talent management. DG GROW had a strong push for coaching from 2015 onwards, so it is possible to see it peaking out during 2019. Furthermore, we had 3 new vacancies in our Middle Manager pool and one newly appointed, combined with the fact that many colleagues had followed those trainings already earlier on.

³ Users who have viewed at least one document, discussion, blog posting the previous 30 days.

These are additional reasons for the decrease of the ratio from 53% in 2018 to 30% in 2019. For what concerns Deputy Heads of Unit, the slow positive trend is partially due to the limited offer by the European School due to allocating many places to colleagues in the corporate female talent programmes and a lack in DG GROW budget for external trainings in order to be able to compensate.

Better Regulation

In 2019 eight evaluations were completed and published. The fitness check on chemical legislation (excluding REACH) was also completed and published in 2019. Three evaluations were selected by the RSB for scrutiny in 2019, two of them received a positive opinion at the first submission. Between 2014 and 2019, 41 of 122 (= 33.6%) of the primary regulatory items under the responsibility of GROW have been subjected to finalised evaluations or fitness checks. This represents an increase by three percentage points with respect to the baseline in 2015 (30%).

In terms of evaluations in 2019, better regulation support was provided to 19 different evaluations and fitness checks (one new, 18 were carried over from 2018). In 2019 preparatory work started for 12 impact assessments which involved among others supporting studies and consultations. However, the work on them has not yet been completed and no impact assessment was submitted to the Regulatory Scrutiny Board (RSB) in 2019. Therefore the last available indicator for impact assessments that received a favourable opinion by RSB dates back to 2018 and remains at 86%, well above the 2018 Commission average of 72% and 2015 baseline of 53%.

Regarding economic research, in 2019 the better regulation support unit was involved in around 30 different research projects to inform evidence based policy making and provided trainings to DG GROW staff. Examples of economic research include industrial policy monitoring, SME participation in public procurement, measurement of single market integration or analysis of supplementary protection certification in pharma. DG GROW also organised eight seminars with prominent researchers from EU who presented their work on topics of current interest to the DG such as: SME financing, global value chains, integration of services markets or intellectual property rights. In total around 150 staff members attended the seminars.

The better regulation support unit provided seven trainings to around 100 DG GROW staff members on topics related to conducting evaluations and impact assessments, preparing terms of reference for studies, carrying out consultations, statistics, data analysis and databases as well as economics

The following charts show the objectives and main outputs in 2019

Objective: Prepare new policy initiatives and manage the EU's acquis in line with better regulation practices to ensure that EU policy objectives are achieved effectively and efficiently.		
Indicator 1: Percentage of Impact assessments submitted by DG GROW to the Regulatory Scrutiny Board (RSB) that received a favourable opinion on first submission.		
Explanation: The opinion of the RSB will take into account the better regulation practices followed for new policy initiatives. Gradual improvement of the percentage of positive opinions on first submission is an indicator of progress made by the Directorate-General in applying better regulation practices.		
Source of data: Internal monitoring		
Baseline 2015	Target 2020	Latest known results
53% = Commission average in 2015, DG GROW submitted 1 IA, which received negative opinion = 0%	Remain above the Commission average	86% (2018, Commission average 72%)
Indicator 2: Percentage of the Directorate-General's primary regulatory acquis covered by retrospective evaluation findings and Fitness Checks not older than five years.		
Explanation: Better Regulation principles foresee that regulatory acquis is evaluated at regular intervals. As evaluations help to identify any burdens, implementation problems, and the extent to which objectives have been achieved, the availability of performance feedback is a prerequisite to introduce corrective measures allowing the acquis to stay fit for purpose.		

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

Source of data: Internal monitoring

Baseline 2015	Target 2020	Latest known results
Between 2010 and 2014, 42 of 140 of the primary regulatory items under the responsibility of DG GROW have been subject to finalised evaluations or Fitness checks = 30%	Positive trend compared to interim milestone	33.6%

Main outputs in 2019 (as in the Management Plan for 2019)

Description	Indicator	Target	Latest known results
Finalise the REFIT actions in the Commission Work Programmes	Finalisation of the REFIT actions (5 actions are foreseen to be finalised 2019)	100% of the REFIT actions finalised	3 REFIT actions have been finalized: <ul style="list-style-type: none"> • Fitness Check on chemical legislation (excluding REACH) • Evaluation of Directive 95/16/EC on Lifts • Evaluation supporting the "review" of the Construction Products Regulation

Information Management

Access to documents

The access to documents team of the Directorate-General ensures coordination and uniform implementation of the access to documents rules (Regulation 1049/2001 on public access to documents and relevant case law). To this end, the access to documents team provides all necessary advice and guidelines to the line Units. In 2019, the access to documents team processed 516 requests for access to documents. DG GROW registered a 16.5% increase in access to documents request as compared to 2018. It should be underlined that year 2019 was marked not only by an increase of requests but also by a significant increase in the number of voluminous requests and requests requiring coordination with other Directorates Generals of the Commission. There were 16 initial request which were handled by DG GROW and were subject to confirmatory applications with the Secretary General. The Directorate-General did not participate in Ombudsman investigations linked to access to documents issues.

Data Protection

The main achievements of the Data Protection Action Plan include:

- 18 GROW training or information sessions to Units and Directorates, two videos, dozens of awareness emails and over 150 queries treated by the DPC;
- Two meetings of GROW Data Protection Contact Points;
- The reshuffle of GROWNet Data Protection space, including information, practical guidance and models prepared by GROW DPC (e.g. procedures for meetings, newsletters and consultations, FAQ, model inventory, data subjects and data breaches procedures, seven privacy statement models, two consent forms and standard disclaimers);
- Out of 54 records of processing operations, 45 were revised and resulted on: six records being updated and published, one submitted for validation of the Data Protection Officer (DPO), 12 submitted for validation of the DPC, eight records being archived, five identified for archive after deletion of personal data, the archive of seven was requested to the DPO and the archive of six was awaiting the adoption of a corporate record.
- Over 135 privacy statements (around 70% of the total required) prepared by Units and validated by the DPC.

The following charts show the objectives and main outputs in 2019

Objective: Information and knowledge in your DG is shared and reusable by other DGs. Important documents are registered, filed and retrievable		
Indicator 1 (mandatory – data to be provided by DG DIGIT): Percentage of registered documents that are not filed⁴ (ratio)		
Source of data: <i>Hermes-Ares-Nomcom (HAN)⁵ statistics</i>		
Baseline 2014	Target	Latest known results
1,607 over a total of 46,025 documents registered in 2015 (equals to 3,49%)	0%	1,210 documents over a total of 191,279 documents registered in 2019 (equals to 0.63%)
Indicator 2 (mandatory - data to be provided by DIGIT): Percentage of HAN files readable/accessible by all units in the Directorate-General		
Source of data: <i>HAN statistics</i>		
Baseline	Target	Latest known results
16,333 files over a total of 17,217 (equals to 94.87%)	98%	20,978 files out of 22,037 (equals to 95.19%)
Indicator 3 (mandatory data to be provided by DIGIT): Percentage of HAN files shared with other DGs		
Source of data: <i>HAN statistics</i>		
Baseline	Target	Latest known results
7 files over a total of 17,217 (= 0.04%)	2.0%	524 files out of 22,136 (equals to 2.37%)
Indicator 4: Percentage of units using collaborative tools to manage their activities		
Source of data: Internal monitoring		
Baseline	Target	Latest known results
New indicator	2020: 75%	51% of the staff
Objective: Information and knowledge in your DG is shared and reusable by other DGs. Important documents are registered, filed and retrievable		
Indicator 5: Existence and degree of implementation of a documented strategy to harness knowledge of Directorate-General's staff		
Source of data: Internal monitoring		
https://connected.cnect.cec.eu.int/community/grow/informatics/projects/data-information-and-knowledge-asset-strategy		
Baseline	Target	Latest known results
Information and Knowledge management strategy (IKM) to be approved by IT Steering Committee in 2016 Q2	75-80% of the Directorate-General benefits from the IKM infrastructure by 2019	The Implementation report approved by DG GROW senior management is available at: Ares(2019)7051271 A new Digital Strategy for DG GROW (2020-2024) has been just approved Ares(2020)1032964
Indicator 6 (optional): Percentage of briefings managed in accordance with a uniform business process and using a common tool (DG GROW uses the BASIS tool)		
Source of data: Internal monitoring		
Baseline 2015	Target	Latest known results
1800 briefings of which 95% were managed in BASIS	100%	100%

⁴ Each registered document must be filed in at least one official file of the *Chef de file*, as required by the [e-Domec policy rules](#) (and by ICS 11 requirements). The indicator is to be measured via reporting tools available in Ares.

⁵ Suite of tools designed to implement the [e-Domec policy rules](#).

Main outputs in 2019 (as in the Management Plan for 2019)			
Description	Indicator	Target	Latest known results
Reinforcement of the knowledge management capacity in DG GROW, including full use of the functionalities of the CONNECTED platform.	Further use of the CONNECTED functionalities (complete profiles of staff, active users, collaborative places, internal communication campaigns)	1) At least 10 new collaborative "knowledge management" places (groups and spaces) created in GROWnet 2) At least 3 cross-DG internal communication campaigns launched in GROWnet ⁶	1) Care4Change Keyword Search Statistics and data produced by DG GROW GROW/DEFIS Moderators Network GROW Proposals GROW Regulatory Techniques Centre DG GROW Deputies GROW Sustainability GROW Summer Week 2019 Velomai 2) Knowledge Week 2019, This Time I'm Voting, Vélomai 2019
Main outputs in 2019 (as in the Management Plan for 2019)			
Description	Indicator	Target	Latest known results
Completion of DG GROW Data Assets' Inventory and Evaluation project a) Finalisation of the pilot project on data assets' evaluation with GROW.B and GROW.R launched in 2018Q4 b) Expansion of the methodology tested in the pilot project to the whole DG.	1) DG GROW data assets are analysed, their quality and value assessed and additional data needs identified 2) The inventory and evaluation results are published on GROWNet so that interested users can contact the data owners for joint use of the assets	1) Assessment of the added value and quality of the DG information assets, - including data and information gaps - completed and published by the end of 2019	a) The pilot was completed in the beginning of 2019 and the results published, and included as well into the corporate inventory. b) The scale-up of the pilot to the whole DG was completed in the last quarter of 2019, resulting in additional 60 data assets reported by 27 units. The inventory and evaluation results will be released in February 2020 with PowerBI on GROWnet
Guidelines on data assets' management and sharing in DG GROW, including roles responsibilities, and business processes aligned with the corporate standards of data assets' governance and management	Guidelines are approved and introduced in the practice of the DG on: - acquisition and ownership; - accessibility and sharing; - collaborative use; - security of assets; - maintaining the quality and the reliability of the assets; - retention and archiving;	Finalisation of 50% of the guidelines by end 2019.	The first part of the Guidelines on data assets' management and sharing in DG GROW has been published on the Data Community of practice GROWnet page and submitted to the ITSC. They include data governance and data policies related to planning, acquisition and collection, access, sharing and publishing,

⁶ In the Management Plan 2018, the DG referred to three targets: 1) Reach > 50% of complete profiles on GROWNet by end 2018, 2) 60% active users by the end of 2018, and 3) 10 new collaborative places (groups and spaces) created. Due to technical problems with the Connected Platform, the first two targets cannot be measured at the moment.

	<ul style="list-style-type: none"> - reusability and interoperability through controlled vocabularies and data architecture standards update of the data inventory 		<p>storage and archiving. Link to guidelines: https://webgate.ec.europa.eu/connected/docs/DOC-215806</p>
<p>Launch of proof of concept projects of innovative use of data assets for business intelligence in the area of</p> <ul style="list-style-type: none"> a) market surveillance b) monitoring of the Single Market 	<p>One or two innovative proof of concept project run in DG GROW</p>	<p>By end of 2019, at least one of the two projects to be completed:</p> <p>Proof of concept project with ICSMS data to improve risk-based assignment of investigations and inspections on the Single Market for goods</p> <p>Proof of concept project with data from Single Market tools (such as Your Europe Advice, SOLVIT, SDG searches) to identify trends in citizens' and businesses' concerns and possible flaws in the functioning of the Single Market</p>	<p>The PoC with data from Single Market tools (Your Europe Advice) has been performed with CNECT DORIS tool. The tool was not sufficiently flexible and powerful to process a large amount of data. Instead a tailor-made text-mining solution is needed.</p> <p>The PoC to improve TED data used within MAPPS project with JRC tool so called, Named Entity Recognition (NER) has been completed. The tool is designed to find requested names in variety of texts, but it failed to find same business entities given in various ways that applied for tender, what was the aim of PoC.</p> <p>The PoC to find adequate search engine with semantic capability and test it within use cases has been completed. The result showed that the Google (US) and Qwant (France) search engines are two reasonable semantic search engines that can be used for SDG.</p>
<p>Registration of documents in the European Commission's document management system (Ares) needs to be accompanied by their filing making them accessible.</p>	<p>Percentage of registered Ares documents that are not filed</p>	<p>1) At least four filing exercises organised in 2019 addressed to all services of the DG</p> <p>2) At least 5% decrease of the percentage of registered documents that are not filed⁷</p>	<p>1,210 documents over a total of 191,279 documents registered in 2019 (equals to 0.63%)</p>
<p>Files which are of general interest and not sensitive should be accessible at Commission level</p>	<p>Percentage of Ares files shared with other DGs</p>	<p>At least 3% increase of the percentage of Ares files shared with other DGs⁸</p>	<p>524 files out of 22,136 (equals to 2.37%)</p>

Internal Communication

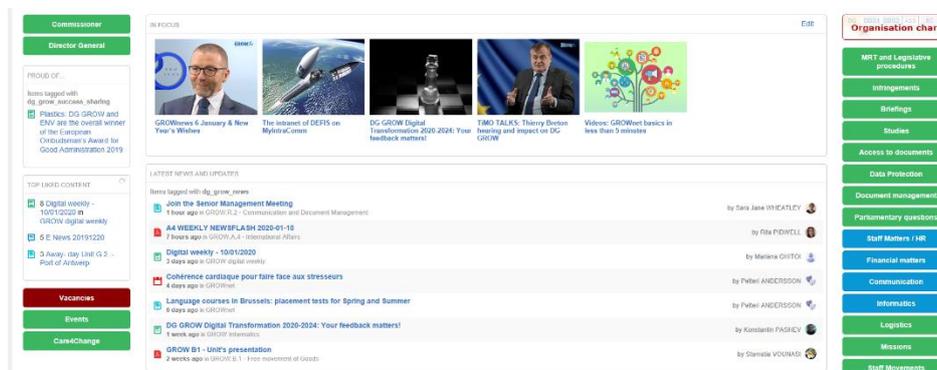
⁷ Base line value will be the percentage of registered documents that are not filed up to 2018.

⁸ Base line value will be the percentage of Ares files shared with other DGs up to 2018.

To promote DG GROW policies, the Internal Communication Team used these tools:

GROWnet

Besides regularly updating the GROWnet landing page, the Internal Communication Team also provides the Internal Communication Weekly Update newsletter and GROWnet training either for groups or for individuals. GROWnet also contains a series of short videos introducing its basic functions



Commission en Direct

The Internal Communication Team is in touch with DG HR Commission en Direct. The team helps to promote GROW topics either through articles or through events. In 2019, DG GROW team helped to liaise colleagues of both DGs in order to write articles about following topics: parcel price transparency tool, Bio-based Joint Undertaking, SAR (Search and Rescue) and for events promotion through Commission en Direct on amongst others Copernicus, Galileo, the Christmas choir and Intellectual Property.

GROWtv

GROWtv is a provided video platform to inform staff about policies. The videos include regular Management meeting debriefs (31 GROWnews episodes in 2019) and six episodes of TIMO TALKS. In order to promote DG GROW policies and activities, GROWtv interviewed GROW colleagues. These interviews covered for example eForms for Public Procurement, Better Regulation Survey and Impact Assessment Exercise, Unified Communication and Collaboration, and GROW Data Protection Coordination. GROWtv also covered events like the European Mobility Week 2019 and Vélomai 2019. GROWtv also contributed to corporate campaigns (This Time I'm Voting) by videos prepared according to instructions and also creative videos made 'in house' (What Does 9 May Mean for You – Vox Populi, This Time I'm Voting in mother languages).

External Communication

DG GROW communication actions

The most prominent of these actions were:

- The 'EU Open for Business' communication campaign: DG GROW hosted information days and paid campaigns (print, online) in Germany and Austria. These campaigns reached over 150 million contacts. Enterprise Europe Network partners from Germany and Austria reported increased numbers online interactions and followers. The overall cost of the action was € 2 million.
- The 'EU Industry days' (EID): assembled 1973 physical participants to the event, 3339 participants joined online. The event hosted more than 50 different sessions with over 150 speakers and showcased more than 30 EU funded projects. The very first edition of the Young Leaders of Industry Forum also brought together 23 young experts to join the conversation on European Industry, which led to establish the European Industry Days as the first worldwide industrial forum. DG GROW share of cost for the EID amounted to € 600,000.
- The 'Circular economy conference' gathered 600 physical participants to the event and 14,000 views online on the first day. It has been estimated that around 10 million users (67% increase from last year figure) were potentially reached by entries with the #CEStakeholderEU and #CircularEconomy hashtags on social media. DG ENV and DG GROW twitter accounts were both on top of the list of influencers. The cost for the circular economy conference enfolds to € 50,000.
- The 'Plastic alliance signature ceremony' gathered 100 industrial players of the sector (output) who signed the declaration (result). This ceremony attracted 70 more signatories thereafter (impact). The cost for the ceremony amounted to almost € 15,000.
- The 'SME Week' is a pan-European campaign that aims to promote entrepreneurship in Europe. The main event of the European SME week is organised every autumn together with the SME Assembly and the European enterprise promotion awards ceremony. In 2019, the SME Assembly brought together around 550 delegates as the highlight of the European SME Week.
- The 'Space Week' gathered 1,000 physical participants to the event with high-level attendance and presence of key stakeholders. The cost for the circular economy conference amounted to € 15.000.



Media and press outreach

In the past year, DG GROW press team provided support to the SPP and Cabinet Most notably, this consisted in the following output:

- Press material: prepared 80 daily news items, 17 press releases and six factsheets published by the SPP;
- Journalist queries: Dealt with around 300 journalist queries;
- Produced over a 100 LTTs on topics covering all areas of DG GROW's work;

- Prepared or contributed to numerous press briefings, articles or interviews by the Commissioner, Director General or other members of DG GROW hierarchy;
- Coordinated the work on two Eurobarometer surveys, namely on 1. Entrepreneurship, start-ups and scale-ups and 2. SMEs, resource efficiency and green markets;
- Produced 16 episodes of the Business planet programme in cooperation with Euronews;
- Took part in DG COMM network on fighting disinformation.

Evaluating Communication action

DG GROW established a 360° communication cycle from cross-sectoral budgetary planning, via ex ante authorisation (including DG COMM for actions above EUR 100 000) to ex post evaluation based on DG COMM methodology adapted to DG GROW needs). Evaluation results, including recommendations for improvements, are summarised and presented to management at least once per year. It is then for management to validate these recommendations.

The following charts show the objectives and main outputs in 2019

Objective: Citizens perceive that the EU is working to improve their lives and engage with the EU. They feel that their concerns are taken into consideration in European decision making and they know about their rights in the EU.		
Indicator 1: Percentage of EU citizens having a positive image of the EU		
<i>Definition:</i> Eurobarometer measures the state of public opinion in the EU Member States. This global indicator is influenced by many factors, including the work of other EU institutions and national governments, as well as political and economic factors, not just the communication actions of the Commission. It is relevant as a proxy for the overall perception of the EU citizens. Positive visibility for the EU is the desirable corporate outcome of Commission communication, even if individual Directorate-Generals' actions may only make a small contribution.		
Source of data: Standard Eurobarometer (DG COMM budget) [<i>monitored by DG COMM here</i>].		
Baseline: November 2014	Target: 2020	Latest known results June 2019
Total "Positive": 39% Neutral: 37% Total "Negative": 22%	Positive image of the EU ≥ 50%	Total "Positive": 45% (best result since 2009) Neutral: 37% Total "Negative": 18%

Main outputs in 2019 for the "Open for Business" communication campaign:			
Description	Indicator	Target/benchmark	Latest known results
Raising awareness through radio advertising	Number of radio listeners (audited figures for selected stations)	3.5 million listeners per day (spread over (5 countries)	Preliminary media research, including in-depth interviews with campaign partners, showed that radio spots in the campaign target countries would not bring desired results taking into account cost efficiency as well. Therefore, radio spots were not included in the final campaign media mix. Budget was reallocated to other media channels.
Main outputs in 2019 for the "Open for Business" communication campaign:			
Description	Indicator	Target/benchmark	Latest known results
Raising awareness through print advertising	Number of newspapers readers (total readership of all selected outlets in 2 target countries).	7 million readers (readers meaning potential readers of the printed material)	Total circulation, i.e. printed copies: 3,872,939 (DE: 1,496,798; AT: 2,376,141) Total readership: 12,041,936 Campaign reached total readership well over the requested target.

Raising awareness through online advertising	Number of views/impressions on social media.	8 million of ad – impressions/views (note that one individual may generate multiple impressions)	17,645,502 views/impressions (2 waves; Facebook, Twitter, LinkedIn) Campaign reached more than double views/impressions as initially requested.
Raising awareness through online advertising	Number of actions (clicks, likes, visits etc.)	More than 90.000 clicks (1.4% action ratio, compared to 0.8% industry average)	Social media: 76,904 clicks Online (Banner, Advertorials etc.): 31,971 clicks Online advertising generated 18,875 more clicks than requested target.
Direct contact with business multipliers through information days	Number of people attending (including following web-streaming) info days	30 people per information day event physically present, 50 following web streaming	Up to 70 people per event attended EU Open for Business information days. Minimum 50 participants per event followed the events online
Call for action – visit YOUR EUROPE BUSINESS portal	Increase of web-traffic on YOUR EUROPE BUSINESS portal	At least 1000 additional visits per month (during the campaign's implementation)	Online campaign promoting Your Europe Business was deployed in total for 6 months resulting in 6,654 additional visits through advertised social media posts, surpassing the requested target.
Call for action – contact the Enterprise Europe Network in your country	Number of calls/emails received by the Enterprise Europe Network in the target countries	1000 (these are SMEs who are truly engaged and committed to using EEN services)	EEN in Austria and Germany reported an increase of registrations to their database and an increase in their social media followers as a result of the communication campaign.

Main outputs in 2019 for the campaign "Promotion of citizens' and businesses' EU rights and opportunities			
Description	Indicator	Target/benchmark	Latest known results
Social media outreach (Your Europe)	- Link clicks to Your Europe - Cost-per-click (advertising)	500-2000 link click/Facebook post below € 0.20	Mid-term results May-September (activity is still ongoing in 2020): Average reach per post: 90,841.78 Average clicks per post: 2,182.14 Average engagement per post (for posts without links, like polls): 2,749.75 CPC (shared with SOLVIT outreach below): €0,12
Social media outreach (SOLVIT)	- Video views - Link clicks to SOLVIT website - Submitted cases	500-1000 views/video 150-500 link click/Facebook post	Mid-term results May-September (activity is still ongoing in 2020): Average reach per post: 111,254.8 Average clicks per post: 2,543.9 Average engagement per post (for posts without links, like polls): 4,730.2

Communication spending

Annual communication spending (based on estimated commitments):			
Baseline (Year n-1): 2017	Target (2019)	Total amount spent in 2019	Total of Full Time Equivalents (FTEs) working on external communication
DG GROW will take the expenditure of 2017 as the baseline for continuity towards 2019 The commitment in 2017 was € 9,837 737	EUR 9 837 737	€ 10,870,332**	10**

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

**Estimate

ANNEX 3: Annual accounts and financial reports

Annex 3 Financial Reports - DG GROW - Financial Year 2019

Table 1 : Commitments

Table 2 : Payments

Table 3 : Commitments to be settled

Table 4 : Balance Sheet

Table 5 : Statement of Financial Performance

Table 5 Bis: Off Balance Sheet

Table 6 : Average Payment Times

Table 7 : Income

Table 8 : Recovery of undue Payments

Table 9 : Ageing Balance of Recovery Orders

Table 10 : Waivers of Recovery Orders

Table 11 : Negotiated Procedures

Table 12 : Summary of Procedures

Table 13 : Building Contracts

Table 14 : Contracts declared Secret

Table 15 : FPA duration exceeds 4 years

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2019 (in Mio €) for DG GROW					
			Commitment appropriations authorised	Commitments made	%
			1	2	3=2/1
Title 02 Internal market, industry, entrepreneurship and SMEs					
02	02 01	Administrative expenditure of the 'Internal market, industry, entrepreneurship and SMEs' policy area	24,794	22,161	89,4 %
	02 02	Competitiveness of enterprises and small and medium-sized enterprises (COSME)	280,576	268,814	95,8 %
	02 03	Internal market for goods and services	116,166	113,113	97,4 %
	02 04	Horizon 2020 - Research relating to enterprises	152,474	136,089	89,3 %
	02 05	European satellite navigation programmes (EGNOS and Galileo)	848,865	803,157	94,6 %
	02 06	European Earth observation programme	859,821	859,798	100,0 %
	02 07	European Defence Industrial Development Programme (EDIDP)	243,250	243,250	100,0 %
Total Title 02			2.525,946	2.446,382	96,9 %
Title 07 Environment					
07	07 01	Administrative expenditure of the 'Environment' policy area	5,074	5,074	100,0 %
Total Title 07			5,074	5,074	100,0 %
Title 08 Research and innovation					
08	08 01	Administrative expenditure of the 'Research and innovation' policy area	30,554	30,392	99,5 %
	08 02	Horizon 2020 - Research	0,575	0,575	100,0 %
Total Title 08			31,130	30,967	99,5 %
Title 11 Maritime affairs and fisheries					
11	11 01	Administrative expenditure of the 'Maritime affairs and fisheries' policy area	3,223	3,223	100,0 %
	11 06	European Maritime and Fisheries Fund (EMFF)	0,000	0,000	0,0 %
Total Title 11			3,223	3,223	100,0 %
Title 14 Taxation and customs union					
14	14 02	Customs	0,100	0,100	100,0 %
Total Title 14			0,100	0,100	100,0 %

Title 17 Health and food safety					
17	17 03	Public health	3,392	3,392	100,0 %
Total Title 17			3,392	3,392	100,0 %

Title 21 International cooperation and development					
21	21 02	Development Cooperation Instrument (DCI)		0,000	
Total Title 21				0,000	

Title 22 Neighbourhood and enlargement negotiations					
22	22 01	Administrative expenditure of the 'Neighbourhood and enlargement negotiations' policy area	0,006	0,006	100,0 %
	22 04	European Neighbourhood Instrument (ENI)		0,000	
Total Title 22			0,006	0,006	100,0 %

Title 26 Commission's administration					
26	26 03	Services to public administrations, businesses and citizens	1,277	1,277	100,0 %
Total Title 26			1,277	1,277	100,0 %

Title 33 Justice and consumers					
33	33 04	Consumer programme	0,63974	0,63974	100,0 %
Total Title 33			0,63974	0,63974	100,0 %

Title 34 Climate action					
34	34 02	Climate action at Union and international level	0,841	0,841	100,0 %
Total Title 34			0,841	0,841	100,0 %

Total DG GROW			2.571,627	2.491,901	96,9 %
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** Commitment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous commitment appropriations for the*

% Outturn on Commitment Appropriations in 2019 for DG GROW

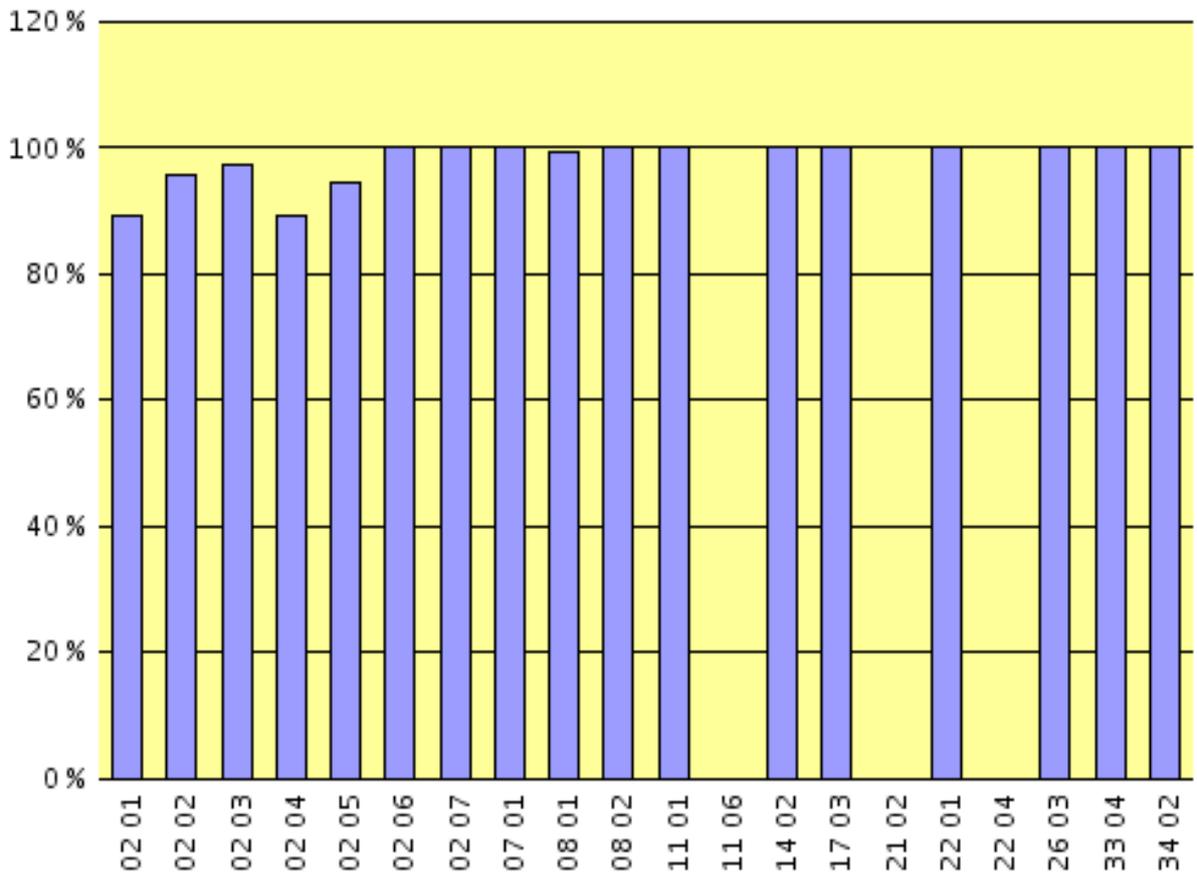


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS in 2019 (in Mio €) for DG GROW					
			Payment appropriations authorised *	Payments made	%
			1	2	3=2/1
Title 02 Internal market, industry, entrepreneurship and SMEs					
02	02 01	Administrative expenditure of the 'Internal market, industry, entrepreneurship and SMEs' policy area	35,169	20,266	57,6 %
	02 02	Competitiveness of enterprises and small and medium-sized enterprises (COSME)	213,122	185,037	86,8 %
	02 03	Internal market for goods and services	107,428	104,374	97,2 %
	02 04	Horizon 2020 - Research relating to enterprises	189,723	131,251	69,2 %
	02 05	European satellite navigation programmes (EGNOS and Galileo)	1.278,041	1.073,195	84,0 %
	02 06	European Earth observation programme	593,406	593,383	100,0 %
	02 07	European Defence Industrial Development Programme (EDIDP)	0,050	0,047	94,4 %
Total Title 02			2.416,940	2.107,553	87,2 %
Title 07 Environment					
07	07 01	Administrative expenditure of the 'Environment' policy area	5,074	5,074	100,0 %
Total Title 07			5,074	5,074	100,0 %
Title 08 Research and innovation					
08	08 01	Administrative expenditure of the 'Research and innovation' policy area	30,554	30,392	99,5 %
	08 02	Horizon 2020 - Research	0,345	0,345	100,0 %
Total Title 08			30,900	30,737	99,5 %
Title 11 Maritime affairs and fisheries					
11	11 01	Administrative expenditure of the 'Maritime affairs and fisheries' policy area	3,223	3,223	100,0 %
	11 06	European Maritime and Fisheries Fund (EMFF)	0,791	0,791	100,0 %
Total Title 11			4,015	4,015	100,0 %
Title 14 Taxation and customs union					
14	14 02	Customs	0,075	0,075	100,0 %
Total Title 14			0,075	0,075	100,0 %
Title 17 Health and food safety					
17	17 03	Public health	3,846	3,846	100,0 %
Total Title 17			3,846	3,846	100,0 %
Title 21 International cooperation and development					
21	21 02	Development Cooperation Instrument (DCI)		0,483	
Total Title 21				0,483	
Title 22 Neighbourhood and enlargement negotiations					
22	22 01	Administrative expenditure of the 'Neighbourhood and enlargement negotiations' policy area	0,006	0,005	84,0 %
Total Title 22			0,006	0,005	84,0 %
Title 26 Commission's administration					
26	26 03	Services to public administrations, businesses and citizens	0,000	1,401	#DIV/0
Total Title 26			0,000	1,401	#DIV/0
Title 33 Justice and consumers					
33	33 04	Consumer programme	0,486	0,486	100,0 %
Total Title 33			0,486	0,486	100,0 %
Title 34 Climate action					
34	34 02	Climate action at Union and international level	0,358	0,358	100,0 %
Total Title 34			0,358	0,358	100,0 %
Total DG GROW			2.461,698	2.154,032	87,5 %

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

% Outturn on Payment Appropriations in 2019 for DG GROW

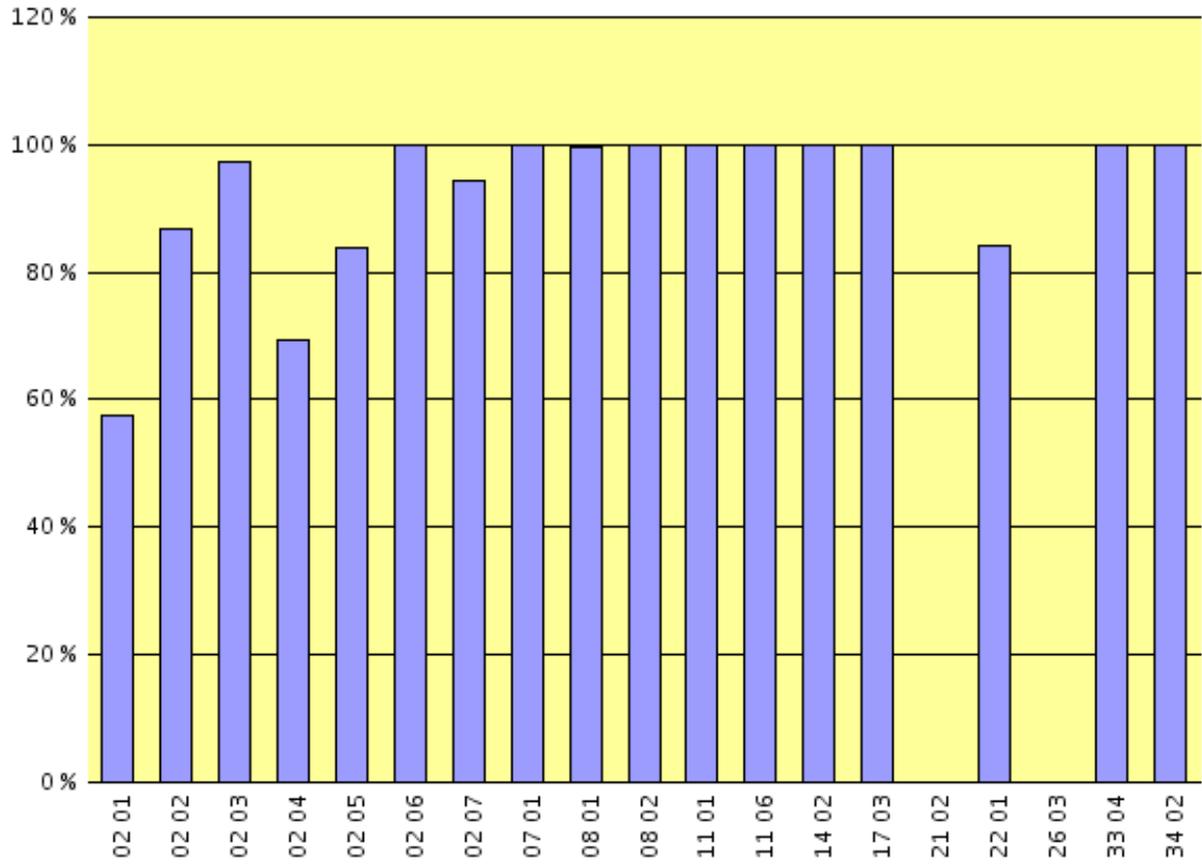


TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2019 (in Mio €) for DG GROW									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2018	Total of commitments to be settled at end of financial year 2019	Total of commitments to be settled at end of financial year 2018
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
02	02 01	Administrative expenditure of the 'Internal market, industry, entrepreneurship and SMEs' policy area	22,16	12,59	9,57	43,19%	0,00	9,57	8,21
	02 02	Competitiveness of enterprises and small and medium-sized enterprises (COSME)	268,81	3,74	265,08	98,61%	392,82	657,89	576,53
	02 03	Internal market for goods and services	113,11	72,06	41,05	36,29%	34,00	75,05	69,81
	02 04	Horizon 2020 - Research relating to enterprises	136,09	33,93	102,16	75,07%	121,23	223,39	219,62
	02 05	European satellite navigation programmes (EGNOS and Galileo)	803,16	346,62	456,53	56,84%	500,04	956,58	1.226,61
	02 06	European Earth observation programme	859,80	380,48	479,32	55,75%	6,51	485,83	219,77
	02 07	European Defence Industrial Development Programme (EDIDP)	243,25	0,05	243,20	99,98%	0,00	243,20	0,00
Total Title 02			2.446,38	849,47	1.596,91	65,28%	1.054,60	2.651,51	2.320,55

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2019 (in Mio €) for DG GROW									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2018	Total of commitments to be settled at end of financial year 2019	Total of commitments to be settled at end of financial year 2018
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
07	07 01	Administrative expenditure of the 'Environment' policy area	5,07	5,07	0,00	0,00%	0,00	0,00	0,00
Total Title 07			5,07	5,07	0,00	0,00%	0,00	0,00	0,00

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2019 (in Mio €) for DG GROW									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2018	Total of commitments to be settled at end of financial year 2019	Total of commitments to be settled at end of financial year 2018
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
08	08 01	Administrative expenditure of the 'Research and innovation' policy area	30,39	30,39	0,00	0,00%	0,00	0,00	0,00
	08 02	Horizon 2020 - Research	0,58	0,12	0,46	80,00%	0,00	0,46	0,23
Total Title 08			30,97	30,51	0,46	1,49%	0,00	0,46	0,23

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2019 (in Mio €) for DG GROW									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2018	Total of commitments to be settled at end of financial year 2019	Total of commitments to be settled at end of financial year 2018
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
11	11 01	Administrative expenditure of the 'Maritime affairs and fisheries' policy area	3,22	3,22	0,00	0,00%	0,00	0,00	0,00
	11 06	European Maritime and Fisheries Fund (EMFF)	0,00	0,00	0,00	0,00%	0,80	0,80	1,59
Total Title 11			3,22	3,22	0,00	0,00%	0,80	0,80	1,59

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2019 (in Mio €) for DG GROW									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2018	Total of commitments to be settled at end of financial year 2019	Total of commitments to be settled at end of financial year 2018
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
14	14 02	Customs	0,10	0,00	0,10	100,00%	0,00	0,10	0,08
Total Title 14			0,10	0,00	0,10	100,00%	0,00	0,10	0,08

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2019 (in Mio €) for DG GROW									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2018	Total of commitments to be settled at end of financial year 2019	Total of commitments to be settled at end of financial year 2018
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
17	17 03	Public health	3,39	1,26	2,13	62,82%	0,59	2,72	3,27
Total Title 17			3,39	1,26	2,13	62,82%	0,59	2,72	3,27

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2019 (in Mio €) for DG GROW									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2018	Total of commitments to be settled at end of financial year 2019	Total of commitments to be settled at end of financial year 2018
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
21	21 02	Development Cooperation Instrument (DCI)	0,00	0,00	0,00	0,00%	0,48	0,48	0,97
Total Title 21			0,00	0,00	0,00	0,00%	0,48	0,48	0,97

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2019 (in Mio €) for DG GROW									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2018	Total of commitments to be settled at end of financial year 2019	Total of commitments to be settled at end of financial year 2018
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
22	22 01	Administrative expenditure of the 'Neighbourhood and enlargement negotiations' policy area	0,01	0,00	0,00	16,00%	0,00	0,00	0,00
	22 04	European Neighbourhood Instrument (ENI)	0,00		0,00	0,00%	9,00	9,00	9,00
Total Title 22			0,01	0,00	0,00	16,00%	9,00	9,00	9,00

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2019 (in Mio €) for DG GROW									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2018	Total of commitments to be settled at end of financial year 2019	Total of commitments to be settled at end of financial year 2018
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
26	26 03	Services to public administrations, businesses and citizens	1,28	0,00	1,28	100,00%	0,37	1,65	1,82
Total Title 26			1,28	0,00	1,28	100,00%	0,37	1,65	1,82

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2019 (in Mio €) for DG GROW									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2018	Total of commitments to be settled at end of financial year 2019	Total of commitments to be settled at end of financial year 2018
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
33	33 04	Consumer programme	0,64	0,01	0,63	98,50%	0,13	0,76	0,61
Total Title 33			0,64	0,01	0,63	98,50%	0,13	0,76	0,61

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2019 (in Mio €) for DG GROW									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2018	Total of commitments to be settled at end of financial year 2019	Total of commitments to be settled at end of financial year 2018
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
34	34 02	Climate action at Union and international level	0,84	0,36	0,48	57,41%	0,00	0,48	0,00
Total Title 34			0,84	0,36	0,48	57,41%	0,00	0,48	0,00

Total for DG GROW			2491,901	889,909	1601,993	64,29 %	1065,973	2667,966	2338,117
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Breakdown of Commitments Remaining to be Settled (in Mio EUR) at 31/12/2019 for DG GROW

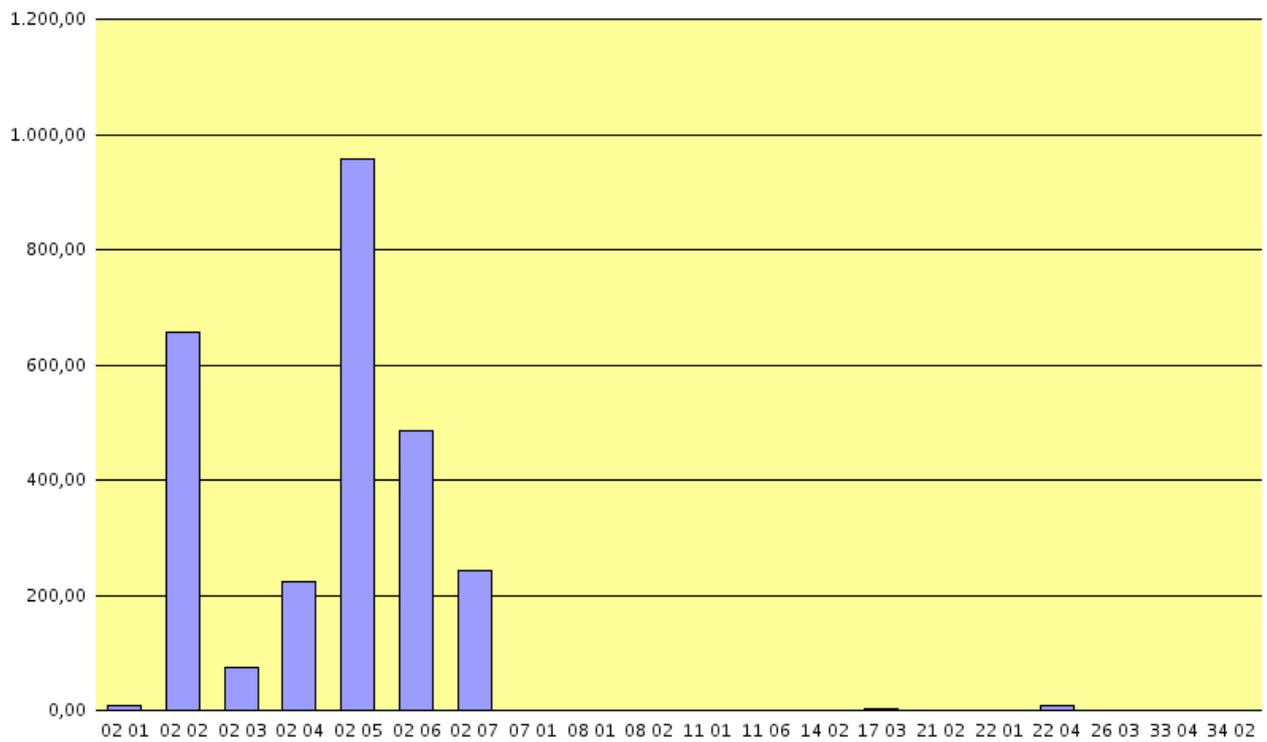


TABLE 4 : BALANCE SHEET for DG GROW

BALANCE SHEET	2019	2018
A.I. NON CURRENT ASSETS	6.899.558.918	6.673.379.180
A.I.1. Intangible Assets	9.079.544	6.259.925
A.I.2. Property, Plant and Equipment	6.731.345.816	6.579.060.673
A.I.4. Non-Current Financial Assets	71.047.888	45.881.613
A.I.5. Non-Current Pre-Financing	88.085.669	42.176.970
A.II. CURRENT ASSETS	2.010.000.648	1.748.663.545
A.II.2. Current Pre-Financing	1.593.122.756	1.416.279.814
A.II.3. Curr Exch Receiv & Non-Ex Recoverables	1.159.739	1.361.119
A.II.6. Cash and Cash Equivalents	415.718.154	331.022.613
ASSETS	8.909.559.566	8.422.042.726
P.I. NON CURRENT LIABILITIES	-485.927.550	-465.326.062
P.I.2. Non-Current Provisions	-485.927.550	-461.462.716
P.I.3. Non-Current Financial Liabilities	0	-3.863.346
P.III. NET ASSETS/LIABILITIES	-3.298.363	2.818.713
P.III.1. Reserves	-3.298.363	2.818.713
P.II. CURRENT LIABILITIES	-302.125.740	-185.248.355
P.II.2. Current Provisions	-253.824.519	-142.226.455
P.II.4. Current Payables	-22.616.959	-13.634.546
P.II.5. Current Accrued Charges & Defrd Income	-25.684.262	-29.387.354
LIABILITIES	-791.351.653	-647.755.704
NET ASSETS (ASSETS less LIABILITIES)	8.118.207.913	7.774.287.022
P.III.2. Accumulated Surplus/Deficit	3.224.525.958	1.522.686.870
Non-allocated central (surplus)/deficit*	-11.342.733.872	-9.296.973.892
TOTAL DG GROW	0,00	0,00

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

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

A.I. NON CURRENT ASSETS

A.I.2. Property, Plant and Equipment

Following the operational development of the three Space programmes Galileo, Copernicus and Egnos, the net balance of tangible assets in DG GROW increased in 2019 by € 201 million.

The **Galileo** system, being EU's Global Navigation Satellite System (GNSS), reached gross value of € 4 765 million covering both its space and ground segments. € 1 361 million of this total is related to assets under construction which were not operational on 31/12/2019. The Galileo asset balance now splits into € 2 635 million of satellites, 26 of which were fully operational end of 2019. The total gross value of the Galileo ground segment reached € 2 123 million. Only the part of the ground segment which contributes to the Galileo Initial Services is accounted as final fixed assets (€ 1 120 million). The rest of the ground segment (€ 1 002 million) will be transferred from assets under construction to final fixed assets once the Galileo Enhanced Services are declared in the course of 2020.

Regarding **Copernicus**, the European Earth observation programme, in 2019 the gross balance reached € 3 570 million. In contrast to Galileo, the EU keeps control only over the satellites which are accounted in the EU books; the Ground Segment is managed via service contracts thus the control is not under the EU. 7 satellites were operational at 31.12.2019, thus bringing the gross Copernicus operation satellites to € 2 117 million). Other 12 satellites and instruments remain under construction (€ 1 453 million). Since the Copernicus satellites are funded not only by the EU, DG GROW recognised in 2019 income of €47 million related to the contributions from ESA (the European Space Agency), and the German national space agency.

Finally, the assets related to the **EGNOS** system (European Geostationary Navigation Overlay System) reached in 2019 € 403 million, mainly brought by the development under construction of the future EGNOS Version 2 system.

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

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

The non-current pre-financing amounts recognised on the balance sheet at 31 December 2019 represent pre-financing for which the costs are expected to be incurred only after 31 December 2020. They relate mainly to advance payment under the Space Delegation Agreements.

A.II. CURRENT ASSETS

A.II.2. Current Pre-Financing

A significant increase has been made in 2019 on the balance of the current pre-financing (€ +176 million), mainly due to:

- Increase of € 68 million for the Delegation Agreement H2020 signed with ESA
- Increase of € 27 million for the new Delegation Agreement Validation IOD/IOV signed with ESA
- Increase of € 34 million for the Contribution to the Agency ECHA.

A.II.5.3 Accrued Income and Deferred Charges

In 2019 no further balances were recognised on the accrued income account as in 2018 the last remaining Liquidated Damages under Batch#1 of the Galileo contract with OHB were due and recognised.

A.II.6 Cash and cash equivalents

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

P. LIABILITIES

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

The increase in the provisions is related to the COSME Financial Instruments for which an additional long-term provision of € 25 million and a short-term provision of € 111 million is booked.

TABLE 5 : STATEMENT OF FINANCIAL PERFORMANCE for DG GROW

STATEMENT OF FINANCIAL PERFORMANCE	2019	2018
II.1 REVENUES	-86.094.660	-128.847.505
II.1.1. NON-EXCHANGE REVENUES	-87.363.889	-130.308.980
II.1.1.5. RECOVERY OF EXPENSES	-69.778	180.703
II.1.1.6. OTHER NON-EXCHANGE REVENUES	-87.294.110	-130.489.683
II.1.2. EXCHANGE REVENUES	1.269.229	1.461.475
II.1.2.1. FINANCIAL INCOME	-5.106.563	-1.992.011
II.1.2.2. OTHER EXCHANGE REVENUE	6.375.792	3.453.486
II.2. EXPENSES	1.852.221.682	1.830.686.593
II.2. EXPENSES	1.852.221.682	1.830.686.593
II.2.10. OTHER EXPENSES	934.328.848	955.463.575
II.2.2. EXP IMPL BY COMMISS&EX.AGENC. (DM)	81.938.154	78.130.668
II.2.3. EXP IMPL BY OTH EU AGENC&BODIES (IM)	425.012.580	363.102.183
II.2.4. EXP IMPL BY 3RD CNTR & INT ORG (IM)	377.735.263	368.601.143
II.2.5. EXP IMPL BY OTHER ENTITIES (IM)	32.928.222	65.327.636
II.2.6. STAFF AND PENSION COSTS	-359.520	-367.615
II.2.8. FINANCE COSTS	638.135	429.003
STATEMENT OF FINANCIAL PERFORMANCE	1.766.127.022	1.701.839.088

Explanatory note to the Statement of Financial Performance

II.1 REVENUES

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

The other non-exchange revenue relates to

- *the non-EU funded part of the Copernicus assets and in-kind contributions received for Satelliltes, i.e. € 47 million. As in 2019, no Copernicus launch took place, the recorded revenue was much significantly lower than 2018;*
- *the Swiss contribution to the Space Programmes for an amount of € 27 million.*

II.2 EXPENSES

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

The increase of the expenses implemented by EU Agencies and international organisations is due to the Delegation Agreements for the space programmes with the increase in the reported costs compared to 2018 and to the Contribution to ECHA Agency (€+37 million).

II.2.10 Other expenses

The most important expense in this category is the depreciation charge for the Space programmes.

In addition, € 9 million was recorded for the administrative and operational fees paid to the European Investment Bank for managing the COSME financial instruments. A significant decrease (€ -128 million) was related to the provisions for the financial instruments.

TABLE 5bis : OFF BALANCE SHEET for DG GROW

OFF BALANCE	2019	2018
OB.1. Contingent Assets	332.753	870.629
GR for performance	-	-
GR for pre-financing	332.753	870.629
OB.2. Contingent Liabilities	(1.709.908)	(1.648.491)
OB.2.1. Guarantees given for EU FI	(1.709.908)	(1.648.491)
OB.3. Other Significant Disclosures	(3.678.810.475)	(4.059.829.028)
OB.3.2. Comm against app. not yet consumed	(2.639.568.725)	(2.299.697.143)
OB.3.3.4. Galileo programme	(437.852.315)	(492.852.315)
OB.3.3.5. GMES programme COPERNICUS	(601.389.435)	(1.267.279.570)
OB.4. Balancing Accounts	3.680.187.630	4.060.606.890
OB.4. Balancing Accounts	3.680.187.630	4.060.606.890
OFF BALANCE	-	-

TABLE 6: AVERAGE PAYMENT TIMES in 2019 for GROW

Legal Times							
Maximum Payment Time (Days)	Total Number of Payments	Nbr of Payments within Time Limit	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
28	1	1	100,0 %	23,0			
30	1320	1301	98,6 %	12,4	19	1,4 %	32,8
45	18	18	100,0 %	21,3			
60	269	264	98,1 %	25,5	5	1,9 %	83,6
90	40	40	100,0 %	35,1			

Total Number of Payments	1648	1624	98,5 %		24	1,46 %	
Average Net Payment Time	15,6			15,2			43,4
Average Gross Payment Time	19,42			19,0			45,1

Suspensions							
Average Report Approval Suspension Days	Average Payment Suspension Days	Number of Suspended Payments	% of Total Number	Total Number of Payments	Amount of Suspended Payments	% of Total Amount	Total Paid Amount
9	39	162	9,8 %	1648	393.815.758	18,3 %	2.153.596.738

Late Interest paid in 2019

DG	GL Account	Description	Amount (Eur)
GROW	65010100	Interest on late payment of charges New FR	493,75
			493,75

TABLE 7 : SITUATION ON REVENUE AND INCOME in 2019 for DG GROW

Chapter	Revenue and income recognized			Revenue and income cashed from			Outstanding Balance	
	Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total		
	1	2	3=1+2	4	5	6=4+5	7=3-6	
57	OTHER CONTRIBUTIONS AND REFUNDS IN CONNECTION WITH THE ADMINISTRATIVE OPERATION OF THE INSTITUTION	16.409	0	16.409	16.409	0	16.409	0
60	CONTRIBUTIONS TO UNION PROGRAMMES	39.556.284	100	39.556.384	39.556.284	100	39.556.384	0
64	CONTRIBUTIONS FROM FINANCIAL INSTRUMENTS	108.121	0	108.121	108.121	0	108.121	0
66	OTHER CONTRIBUTIONS AND REFUNDS	4.442.141	1.329.455	5.771.596	4.442.141	215.780	4.657.921	1.113.676
90	MISCELLANEOUS REVENUE	0	14.684	14.684	0	0	0	14.684
Total DG GROW		44.122.954	1.344.239	45.467.193	44.122.954	215.880	44.338.834	1.128.359

**TABLE 8 : RECOVERY OF PAYMENTS in 2019 for DG GROW
(Number of Recovery Contexts and corresponding Transaction Amount)**

INCOME BUDGET RECOVERY ORDERS ISSUED IN 2019 Year of Origin (commitment)	Irregularity		OLAF notified		Total undue payments recovered		Total transactions in recovery context(incl. non-qualified)		% Qualified/Total RC	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
2005			2	7.458	2	7.458	2	7.458	100,0%	100,0%
2006	1	6.889			1	6.889	1	6.889	100,0%	100,0%
2009							1	63.876		
2010			1	6.621	1	6.621	1	6.621	100,0%	100,0%
2012							1	17.759		
2016							1	72.817		
2017	1	14.095			1	14.095	2	22.073	50,0%	63,9%
2018	1	7.852			1	7.852	7	4.210.593	14,3%	0,2%
2019							1	1.166		
No Link	3	80.704			3	80.704	7	27.159.179	42,9%	0,3%
Sub-Total	6	109.540	3	14.079	9	123.619	24	31.568.432	37,5%	0,4%

EXPENSES BUDGET	Irregularity		OLAF Notified		Total undue payments recovered		Total transactions in recovery context(incl. non-qualified)		% Qualified/Total RC	
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
INCOME LINES IN INVOICES	1	400			1	400	3	1.437.613	33,3%	0,0%
NON ELIGIBLE IN COST CLAIMS	20	3.345.933			20	3.345.933	21	3.345.933	95,2%	100,0%
CREDIT NOTES	56	1.274.048			56	1.274.048	69	1.288.473	81,2%	98,9%
Sub-Total	77	4.620.381			77	4.620.381	93	6.072.018	82,8%	76,1%

GRAND TOTAL	83	4.729.921	3	14.079	86	4.744.000	117	37.640.450	73,5%	12,6%
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TABLE 10 :Recovery Order Waivers >= 60 000 € in 2019 for DG GROW

Waiver Central Key	Linked RO Central Key	RO Accepted Amount (Eur)	LE Account Group	Commission Decision	Comments
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Total DG GROW	
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Number of RO waivers	
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There are 1 waivers below 60 000 € for a total amount of -35.117,1

TABLE 11 :Negotiated Procedures in 2019 for DG GROW**Internal Procedures > € 60,000**

Negotiated Procedure Legal base	Number of Procedures	Amount (€)
Annex 1 - 11.1 (a) - Follow-up of an open/restricted procedure where no (or no suitable) tenders/requests to participate have been submitted	1	120.800,00
Annex 1 - 11.1 (b) - Artistic/technical reasons or exclusive rights or technical monopoly/captive market	2	381.525,00
Total	3	502.325,00

TABLE 12 : Summary of Procedures in 2019 for DG GROW**Internal Procedures > € 60,000**

Procedure Legal base	Number of Procedures	Amount (€)
Negotiated procedure middle value contract (Annex 1 - 14.2)	3	369.970
Negotiated procedure without prior publication (Annex 1 - 11.1)	3	502.325
Open Procedure (Art. 104(1) (a) FR)	1	894.510
Open procedure (FR 164 (1)(a))	15	40.450.340
Total	22	42.217.145

ANNEX 4:Materiality criteria

The assessment of the effectiveness of the different programmes' control system in DG GROW is based mainly, but not exclusively, on ex-post audits' results. The effectiveness is expressed in terms of detected and residual error rate, calculated on a representative sample.

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

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

Qualitative assessment

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

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

Quantitative assessment

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

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

Assessment of the effectiveness of controls

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

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

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

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

$$Re\ sER\% = \frac{(Re\ pER\% * (P - A)) - (Re\ pER_{sys}\% * E)}{P}$$

where:

- ResER%** residual error rate, expressed as a percentage.
- RepER%** representative error rate, or error rate detected in the common representative sample, expressed as a percentage. The RepER% is composed of complementary portions reflecting the proportion of negative systematic and non-systematic errors detected. This rate is the same for all implementing entities, without prejudice to possibly individual detected error rates.
- RepERSys%** portion of the RepER% representing negative systematic errors, (expressed as a percentage). The RepERSys% is the same for all entities and it is calculated from the same set of results as the RepER%
- P** total requested EC contribution (€) in the auditable population (i.e. all paid financial statements).
- A** total requested EC contribution (€) as approved by financial officers of all audited financial statements. This will be collected from audit results.
- E** total non-audited requested EC contribution (€) of all audited beneficiaries.

In case a calculation of the residual error rate based on a representative sample is not possible for a FP for reasons not involving control deficiencies,⁹ the consequences are to be assessed quantitatively by making a best estimate of the likely exposure for the reporting year based on all available information.

Multiannual approach

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

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

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

⁹ Such as, for instance, when the number of results from a statistically-representative sample collected at a given point in time is not sufficient to calculate a reliable error rate.

Notwithstanding the multiannual span of their control strategy, the Director-General of GROW is required to sign a statement of assurance for each financial reporting year. In order to determine whether to qualify this statement of assurance with a reservation, the effectiveness of the control systems in place needs to be assessed not only for the year of reference but also with a multiannual perspective, to determine whether it is possible to reasonably conclude that the control objectives will be met in the future as foreseen.

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

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

De minimis threshold for financial reservation

As from 2019¹⁰, a 'de minimis' threshold for financial reservations is introduced. Quantified AAR reservations related to residual error rates above the 2% materiality threshold, are deemed not substantial for segments representing less than 5% of a DG's total payments and with a financial impact below EUR 5 million. In such cases, quantified reservations are no longer needed.

¹⁰ Agreement of the Corporate Management Board of 30/4/2019.

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

RCS N°1: Budget entrusted to other entities

This RCS covers: (1) under indirect management, the Delegation Agreements (DAs) with **ESA** for the GNSS, Galileo FOC, EGNOS, GMES and Copernicus programmes, the Contribution Agreement on Space Technologies under Horizon 2020,

(2) DAs with **ECMWF, EUMETSAT** and **MERCATOR** for Copernicus programme under indirect management;

(3) the subsidy to the **EASME** Executive Agency for its operating budget,

(4) the balancing subsidy to **ECHA**,

(5) the supervision of the budget executed on behalf of DG GROW by the **EDA, EEA, EMSA, FRONTEX, GSA, SATCEN**, as Entrusted Entities and

(6) cross sub-delegations to **other Commission services** (AOXD).

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

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

Main risks	Mitigating controls	Coverage frequency and depth	Cost-Effectiveness indicators (three E's)
<p>In case of indirect management, the Delegation Agreement (DA) does not clearly set out :</p> <ul style="list-style-type: none"> - delegated tasks, responsibilities of each involved actor - internal control and reporting requirements to be observed - arrangements for protection 	<p>List of the <i>lessons learned</i> from prior similar DAs</p> <p>Ex-ante review by different Units within DG GROW (DIR R)</p> <p>Consultation of the central EU services (DG BUDG, Legal Service)</p> <p>Hierarchical validation within the authorising directorate</p> <p>Describe modalities of cooperation, supervision and</p>	<p>Coverage/Frequency: 100 %/once</p> <p>Depth: Checklist includes a list of the requirements of the regulatory provisions to be complied with.</p> <p>Factors would be (i) whether it is an establishment or a prolongation, (ii) whether it involves selecting an entity and (iii) consistency with any other entities entrusted by the same</p>	<p>Costs: estimation of FTEs involved in the preparation and adoption work</p> <p>Benefits:</p> <ul style="list-style-type: none"> - Total budget amount entrusted to the entity in case of detection of no significant (legal) errors - DG GROW reputation intact <p>Effectiveness:</p>

Main risks	Mitigating controls	Coverage frequency and depth	Cost-Effectiveness indicators (three E's)
<p>of EU financial interests and transparency of operations</p> <p>- right of the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) to comprehensively exert their competences to audit the entrusted funds</p> <p>Specific risks related to industrial procurement to be carried out by ESA on behalf of DG GROW in the complex oligopolistic space market</p> <p>Specific risks related to industrial procurement to be carried out by GSA in the complex oligopolistic space market</p>	<p>reporting in the DA</p> <p>Explicit allocation of supervision responsibility to individual officials (reflected in task assignment or function descriptions)</p> <p>Ex-ante verification of the procurements procedures carried out by the EE on behalf of DG GROW (for example: EC procurement board with ESA)</p> <p>Scrutiny verification by DG GROW of industrial procurements procedures carried out by the GSA</p>	<p>DG or family.</p>	<ul style="list-style-type: none"> - Quality of the legal work (Basic Act, Legal and Financial Statement and DA) - no ECA or OLAF criticism <p>Efficiency:</p> <ul style="list-style-type: none"> - Average cost of preparation, adoption work done compared with similar cases as benchmark <p>Economy:</p> <ul style="list-style-type: none"> - ratio FTEs/funds entrusted (economic when below 10-15 %)

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

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

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E’s)
<ul style="list-style-type: none"> - Before entrusting tasks of budget implementation to the EE, DG GROW has not obtained evidence that the financial and control framework deployed by the EE is sufficiently mature to guarantee achieving all 5 ICOs - The EE’s own financial framework differs from the EU FR and the two parallel systems coexist with the risk of the EE’s own system being applied to EU funds - The EE has not timely informed DG GROW about substantial changes made to its systems, rules and procedures that relate to the management of the EU funds entrusted 	<ul style="list-style-type: none"> - DG GROW internal or independent external ex-ante assessment of the EE ensuring that there is the same level of protection of the financial interests of the Union equivalent to the one that is provided for when the Commission implements the EU budget (Article 62 FR¹¹) - <i>Hierarchical validation within the authorising directorate</i> - <i>Require justification and prior consent for any deviation to financial rules (e.g. Riders or Contract Change Notices)</i> - <i>Require timely notification by the EE of any changes to its</i> 	<p>Coverage/frequency:</p> <ul style="list-style-type: none"> - <u>International organisations</u>: prior to the signature, assessment of internal control system of the EE followed if necessary by ad hoc targeted system controls - <u>Agencies</u>: targeted system controls/ad hoc - <u>AOXD</u>: reliance on other DG's control system <p>Depth:</p> <ul style="list-style-type: none"> - 100 % 	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of FTEs involved in the ex-ante assessment process (including missions) - cost of outsourced independent external “pillar” (re)assessment of the EE’s control system(s) <p>Benefits:</p> <ul style="list-style-type: none"> - Total budget amount entrusted to the EE if no significant system weaknesses are detected - DG’s reputation remains intact <p>Effectiveness:</p> <ul style="list-style-type: none"> - no ECA or IAS criticism - n° of recommendations proposed to EE as result of assessment (i.e. deviations from EU FR identified)

¹¹ The future entrusted entities must meet requirements with regard to the following nine “pillars”: 1. the internal control system, 2. the accounting system, 3. an independent external audit, as well as rules and procedures for: 4. providing financing from EU funds through grants (optional), 5. procurement (optional), 6. financial instruments (optional), 7. exclusion from access to funding, 8. publication of information on recipients, 9. protection of personal data.

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
	<p><i>financial or control systems subsequent to the signature of the DA</i></p> <ul style="list-style-type: none"> - <i>Statement obtained from another DG which also has a DA with the EE</i> 		<ul style="list-style-type: none"> - quality of ex-ante assessment <p>Efficiency Indicators:</p> <ul style="list-style-type: none"> - Time-To-Implement recommendations (by the EE) - Time-To-(Re)Assess <p>Economy:</p> <p>ratio FTEs/funds entrusted (economic when below 10-15 %)</p>

Stage 3 – Operations: monitoring, supervision, reporting

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

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - Low quality programme results, delayed programme implementation, non-achievement of policy objectives / desired impact on society. - Due to weak modalities of cooperation, supervision and reporting, DG GROW is not fully and timely informed of relevant financial and/or management issues encountered by the EE, 	<p>Detailed reporting modalities included in DA (incl. regular programme evaluation).</p> <p>Reinforced monitoring:</p> <ul style="list-style-type: none"> - increased participation in EE's governance bodies and technical committees - detailed analysis of all reports submitted by the EE; if necessary, request additional ad hoc reports 	<p>Coverage: 100 % of the entities are monitored/supervised.</p> <p>Frequency:</p> <ul style="list-style-type: none"> - daily (operational/financial/technical issues) - monthly (briefings and reports for high level governance meetings) - quarterly (report analysis) - annual (AOXD reports, review of Annual Reports for 	<p>Costs: estimation of FTEs involved in monitoring and supervision (including missions).</p> <p>Benefits:</p> <ul style="list-style-type: none"> - Total budget amount entrusted to the EE if no significant (legal, management, accounting, fraud, reporting) errors are detected - DG's reputation remains intact

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

Stage 4 – Commission contribution: payment or suspension/interruption

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

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

Stage 5 – Audit and evaluation

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

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

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

RCS N°2: Financial Instruments

RCS N° 2: Financial Instruments

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

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

Main control objectives:

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

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<p>The actions supported through the Financial Instrument do not adequately reflect the policy objectives for the COSME financial instruments as set out in the COSME Regulation 1287/2013 of 11 December 2013, specifically articles 8, 17, 18 and 19.</p> <p>The Delegation Agreement is inadequate in coverage of operational and management provisions (no compliance with Financial Regulation (FR)).</p>	<ol style="list-style-type: none"> 1. Ex-ante assessment for financial instruments has been carried out 2. Market test conducted prior to the design of the Loan Guarantee Facility (LGF) 3. Main principles agreed in the Financial and Administrative Framework Agreement signed with the EIF 4. Adequacy of the Delegation Agreement (DA) signed between DG GROW and the entrusted entity (European Investment Fund – EIF): 5. <ul style="list-style-type: none"> • DA contains detailed provisions with regard to the follow-up on 	<p>If risk materialises, the Financial Instrument could become irregular or miss the achievement of the policy objectives.</p> <p>Possible impact 100 % of funds involved and significant reputational consequences.</p> <p>Coverage / Frequency for DA: 100 % / once</p> <p>Depth for DA: In-depth control, full engagement of operational and financial unit resources</p> <p>Coverage / Frequency for</p>	<p>Costs: estimation of cost of staff involved in the preparation and validation of the delegated acts of the Financial Instrument including the ex-ante evaluation.</p> <p>Benefits: The (average annual) budget entrusted to the EIF for the COSME financial instruments</p> <p>Effectiveness:</p> <ul style="list-style-type: none"> • Quality of the DA <p>Efficiency:</p> <ul style="list-style-type: none"> • Time-to-entrust:

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
	<p><i>the achievement of policy objectives</i></p> <ul style="list-style-type: none"> • <i>Fee payments to EIF are linked to achievement of measurable policy objectives;</i> • <i>DA was approved following Commission inter-service consultation (including all relevant DGs, horizontal and operational);</i> • <i>DA negotiations required substantial time and resources to ensure that all financial, operational and policy aspects are covered in sufficient detail to allow adequate management and follow-up of financial instruments until their wind-down (expected for 2034)</i> <p>6. Annual approval of work programme by the COSME Member State Committee</p>	<p>annual work programme: 100 % / annually</p>	<ul style="list-style-type: none"> ○ time from adoption of COSME legal base to DA signed ○ time between signature of Financial and Administrative Framework Agreement and signature of DA ○ time between signature of DA and calls for expression of interests published for the LGF and the EFG <p>Economy:</p> <ul style="list-style-type: none"> • Ratio: FTEs invested in the drafting, negotiation and signature of the Financial and Administrative Framework Agreement and DA / total budget entrusted
<p>The selection of the International Financial Institution is not in line with FR and its Rules of Application criteria, especially 'alignment of interests'</p>	<p>Selection of the EIF as entrusted entity:</p> <ul style="list-style-type: none"> • <i>In line with Art. 58.1(c)(iii) FR</i> • <i>EIF explicitly indicated in the COSME Regulation as a possible entrusted entity for the EFG (Art. 18.4(a)) and the LGF (Art. 19.4)</i> <p>Alignment of interest with the EIF</p>	<p>Coverage / Frequency: 100 % / once</p>	<p>Costs: estimation of cost of staff involved</p> <p>Benefits:</p> <ul style="list-style-type: none"> • Use of experienced entrusted entity in the field of European SME financing • Single entrusted entity for both COSME financial instruments (LGF &

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

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

Main control objectives:

- Ensuring that the funds allocation is optimal (best value for public money; effectiveness, economy, efficiency); ensuring that the most promising Financial Intermediaries, Final Recipients are selected to meet the policy objectives (effectiveness)
- Ensuring that the remuneration paid to the International Financial Institution is adequate (cost-effectiveness)
- Compliance (legality & regularity); Prevention of fraud (anti-fraud strategy); Safeguarding of assets and information; Reliable reporting (true and fair view).

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

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<p>The design of the accounting and reporting arrangements would not provide sufficient transparency (True & Fair</p>	<p>GROW through regular pipeline reports</p> <ul style="list-style-type: none"> • Prior information of DG GROW on pre-selected FIs before they are being proposed to the EIF board for approval <p>Implementation of accounting and reporting arrangements by the EIF in accordance with the provisions and principles set out</p>	<p>proposed transactions, allowing DG GROW to assess a limited number of eligibility criteria.</p> <p>Coverage / Frequency: Risk-based or representative sample / on a continuous basis</p>	<ul style="list-style-type: none"> • n° of (successful) challenges received from financial intermediaries on selection procedure • n° of rejections of selected financial intermediaries or Final Recipients • value of equity/loans to be cancelled as a result of these controls • Selected financial intermediaries meet the exclusion and eligibility criteria set out in the DA <p>Efficiency:</p> <ul style="list-style-type: none"> • Time-to-select (e.g. time between due diligence and approval of financial intermediaries by the EIF Board) • Time-to-contract (e.g. time between the selection procedure and the signature of agreements between EIF and financial intermediaries) <p>Economy Ratio: FTEs + other costs of controls (on-spot controls, outsourcing of technical assistance) / amount implemented</p> <p>Costs: estimation of cost of staff involved in accounting, analysis of</p>

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<p>View)</p> <p>The remuneration (structure and/or level) of the International Financial Institution¹² and the reimbursement of any exceptional costs would not be in line with the Sound Financial Management objective (e.g. administrative fees unjustifiably high)</p>	<p>in the DA, to be transposed also into agreements with the selected financial intermediaries where applicable:</p> <ul style="list-style-type: none"> • EIF is required to carry out ex-ante and ex-post controls, on-the-spot verifications • Harmonised financial reporting has been required by the Commission (cf. Financial and Administrative Framework Agreement and DAs) • Separate records per COSME Financial Instrument are to be kept by the EIF <p>Application of the international financial and reporting standards</p> <p>Fees, including administrative fees, incentive fees, treasury management fees and any exceptional unforeseen, expenses, are defined in the Financial and Administrative Framework Agreement and the DA, including an overall cap.</p> <p>Review by the designated service of the statement of expenses</p>	<p>100 % / annually</p> <p>100 % / on a continuous basis for a period of 7 years following the end of the implementation period or termination of the agreements concluded by the EIF with a financial intermediary or the closure of operations under a Financial Instrument, whichever period is the longest</p>	<p>reports and handling of identified deficiencies</p> <p>Effectiveness:</p> <ul style="list-style-type: none"> • Number of verification failures detected; value of the issues concerned prevented/corrected • Number of qualified audit opinions from independent auditors • Quality of reports <p>Efficiency:</p> <ul style="list-style-type: none"> • Timely reporting by the International Financial Institution <p>Costs: estimation of cost of staff involved in the financial workflow</p> <p>Benefits: no undue payment of fees or exceptional expenses</p> <p>Effectiveness:</p> <p>N° of non-compliance events against Financial and Administrative Framework Agreement /DA and internal DG GROW</p>

¹² Remuneration may include administrative fees, treasury management fees and incentives as well as exceptional and unforeseen expenses.

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
	<p>together with evidence provided by the International Financial Institution:</p> <ul style="list-style-type: none"> • Incentive fees linked to the achievement of policy objectives, substantiated through the annual operational reports to be submitted for the LGF and the EFG • Overall fee cap for admin and incentive fees of 6 % of EU Contribution Committed • The authorisation for the EIF to withdraw fees and exceptional expenses from the LGF/EFG fiduciary accounts is subject to the financial workflow in place in GROW/H (designated service), including independent financial ex-ante verification <p>Specific provisions in the DA:</p> <ul style="list-style-type: none"> • Quarterly operational reporting to be provided for the implementation of LGF and EFG, including achievement of policy objectives (e.g. amount of financing / investments made available to eligible final recipients, number of eligible final recipients, leverage achieved) • EIF is required to carry out monitoring and controls, 	<p>100 % / annually</p> <p>Coverage / Frequency: 100 % / quarterly Risk-based or representative sample / on a continuous basis</p>	<p>financial procedures</p> <p>Economy: Ratio of remuneration and costs versus actually managed funds</p> <p>Cost of control FTEs / value of errors detected</p>

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<p>During the operations, the policy objectives reflected under the DA in terms of eligible financial intermediaries and Final Recipients and/or the compliance, eligibility, reporting and other contractual obligation requirements would not be respected</p>	<p>including on-the-spot verifications, covering financial intermediaries, financial sub-intermediaries where applicable and Final Recipients and to provide an annual report on the monitoring activities carried out, summarising the findings and follow-up activities</p> <p>The agreements between the EIF and the financial intermediaries contain relevant reporting, monitoring and audit obligations.</p>	<p>for the monitoring and control activities</p>	<p>Costs: estimation of cost of staff involved in the monitoring and supervision</p> <p>Benefits: Regularity and legality of operations, respect of policy objectives</p> <p>Effectiveness:</p> <p>Reaching the indicators set out in the COSME legal base over the lifetime of the COSME programme (accumulative data)</p>

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

Main control objectives:

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

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

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

RCS N°3: Assets

RCS N° 3: Assets

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

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

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

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

Stage 2 – Protection: recording, ensuring correct asset valuation

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

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

Stage 3 – Overall monitoring of proper safeguarding of assets

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

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

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

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

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

RCS N° 4: Procurement

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

Stage 1 – Decision to launch a procurement procedure

A - Planning

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

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

B - Needs assessment & definition

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

Main risks	Mitigating controls	Coverage frequency and depth	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - Risk of not obtaining value for 	<ul style="list-style-type: none"> - Encourage use of open 	<ul style="list-style-type: none"> - 100 % of the specifications are 	<p>Costs:</p>

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

C – Evaluation & Award

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

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

Stage 2 – Contract Management and Financial transactions

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

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

Main risks	Mitigating controls	Coverage frequency and depth	Cost-Effectiveness indicators (three E's)
			<p>Efficiency:</p> <ul style="list-style-type: none"> - Time-To-Pay - Late interest payment and damages paid (by the Commission) - Coverage of 1st and 2nd level ex-ante controls <p>Economy:</p> <ul style="list-style-type: none"> - Average n° of contracts per procurement control FTE - cost of control per running contract % cost over annual amount disbursed

Stage 3 – Supervisory measures

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

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

RCS N° 5: Grants

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

Stage 1 – Programming, evaluation and selection of proposals

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

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

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

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - Calls are tailored to the advantage of certain candidates due to undue influences from interest groups - Calls are not adequately published and do not reach all target groups 			<ul style="list-style-type: none"> - % of n° of calls successfully concluded / number of calls planned in Management Plan/Work Programme - % budget execution rate grant commitments <p>Economy:</p> <ul style="list-style-type: none"> - average n° and value of running grants managed per control FTE - % cost of control for all stages over annual amount disbursed in grants - average cost of control per grant

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

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

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - Evaluation, ranking and selection of proposals not carried out in accordance with the established procedures, policy objectives and priorities 	<ul style="list-style-type: none"> - Selection and appointment of expert evaluators - Assessment of evaluation procedure by independent experts 	<ul style="list-style-type: none"> - 100 % vetting (including selecting) of expert evaluators for technical expertise and independence (e.g. conflicts of interests, nationality bias, ex-employer bias, collusion) - 100 % of proposals are evaluated 	<p>Costs:</p> <ul style="list-style-type: none"> - Estimation of cost of staff involved in the evaluation and selection of proposals - Cost of the appointment of experts and of the logistics of the evaluation <p>Benefits:</p> <ul style="list-style-type: none"> - 'quality allocation' assurance of the whole

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - Eligibility, selection and award criteria too ambiguous or otherwise inadequate to ensure that grants are awarded to the actions which maximise the overall effectiveness of the EU programme - Unauthorised persons may have access to the electronic system for the management of the calls - Unequal treatment of applicants: inappropriate contacts and/or conflict of interests with certain applicants during the procedure - Monopoly of certain bodies insufficiently justified 	<ul style="list-style-type: none"> - Review of evaluation results by an ad hoc committee for big calls - Validation by the AO of ranked list of proposals. In addition, if applicable: opinion of advisory bodies; comitology; inter-service consultation, adoption by the Commission; publication - Redress procedure 	<ul style="list-style-type: none"> - 100 % of ranked list of proposals. Supervision of work of evaluators. - 100 % of contested decisions are analysed by redress committee 	<p>committed budget (as it will have been checked ex-ante and is considered reasonable in the interests of the programme)</p> <p>Qualitative benefits:</p> <ul style="list-style-type: none"> - Expert evaluators from outside the Commission bring independence, state of the art knowledge in the field and a range of different opinions. This will have an impact on the whole project cycle : better planned, better executed projects <p>Effectiveness:</p> <ul style="list-style-type: none"> - % of proposals evaluated within the year/proposals received - % of n° of (successful) redress challenges / total n° of proposals received - Ratio of proposals received to proposals selected ("oversubscription" rate) - No successful litigation cases <p>Efficiency:</p> <ul style="list-style-type: none"> - Average Time-To-Publication of selection results <p>Economy:</p> <p>Average evaluation cost per proposal (external experts paid only): % cost of control over annual amount disbursed in grants</p>

Stage 2 - Contracting

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

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

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

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

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

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<p>implement the same programme and do not treat the beneficiaries equally</p> <ul style="list-style-type: none"> - Insufficient operational performance monitoring of beneficiaries by project officers 	<p>projects for risk-based ex-post audit, refer grant/beneficiary to OLAF</p>	<p>in FP7</p>	<ul style="list-style-type: none"> - % of payments suspended - n° of cost claims desk-checked <p>Efficiency:</p> <ul style="list-style-type: none"> - % and value of reductions made to EU contribution paid through ex-ante desk checks/total value of cost claims checked - Average n° & value of projects managed 'per' staff FTE - Average Time-To-Pay - Average payment suspension time (days). <p>Economy:</p> <ul style="list-style-type: none"> - % cost of ex-ante control (cost/total amount of grant payments) - Average project management cost (staff FTE * standard staff cost) per running project

Stage 4 - Ex-Post controls

A - Reviews, audits and monitoring

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

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - The ex-ante controls (as such) fail to prevent, detect and correct erroneous payments or attempted fraud to an extent going beyond an acceptable rate of error 	<ul style="list-style-type: none"> - Ex-post control strategy: at intervals carry out audits of a representative sample of operations to measure the level of error in the population after ex-ante controls have been performed. Additional sample to address specific risks - Carry out audits or desk reviews of a (representative) sample of operations to determine effectiveness of ex-ante controls - Multi-annual basis (programme's lifecycle) and coordination with other AOs concerned (to detect systemic errors). In case of systemic error detected, 	<ul style="list-style-type: none"> - Common Representative audit sample (CRaS); Monetary Unit Sample (MUS) across the programme to draw valid management conclusions on the error rate in the population - DG GROW own sample, determined in accordance with the sampling methodology of DG GROW - Representative sample: random or MUS sample sufficiently representative to draw valid management conclusions (other DG GROW grants) 	<p>Costs:</p> <ul style="list-style-type: none"> - Estimation of cost of staff involved in the coordination and execution of the audit strategy. Audit mission costs. Cost of outsourced audits. <p>Benefits:</p> <ul style="list-style-type: none"> - <u>Quantifiable</u>: budget value of the errors detected by the auditor - <u>Non quantifiable</u>: Deterrent effect. Learning effect for beneficiaries. Improvement of ex-ante controls or risk approach in ex-ante controls by feeding back findings from audit. Improvement in rules and guidance from feedback from audit. <p>Effectiveness:</p> <ul style="list-style-type: none"> - DG GROW grants : Detected Error Rate - Value of errors detected

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
	extrapolation to all the projects run by the audited beneficiary - Validate audit results with beneficiary - If needed: refer the beneficiary or grant to OLAF		- Total and Average ex-post audit cost (in-house and/or outsourced) Efficiency: - N° of audits finalised - % of beneficiaries and of value covered by ex-post audits Economy: Total and average ex-post audit cost

B - Implementing results from ex-post audits/controls

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

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

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

1. ESA (EUROPEAN SPACE AGENCY)

Programmes concerned

- Global Navigation Satellite System (GNSS) programmes (Galileo and EGNOS)
- Copernicus programme, previously known as the Global Monitoring for Environment and Security programme (GMES)
- H2020 (GNSS and IOV/IOD)

Annual budgetary amount entrusted

(amounts committed in 2019)

- GNSS: EUR 55 million
- GMES/Copernicus: EUR 2 255 million
- H2020: EUR 31 million
- IOD/IOV: EUR 96.5 million

Duration of the delegation

The current multi-annual Delegation Agreements were signed with the European Space Agency (ESA) in 2014 under the new EU MFF (2014-2020). Amendments to the FOC DA (GNSS) have taken place in 2015 and 2018 and amendment to the DA for Copernicus took place in 2018.

Additionally, a Delegation Agreement was signed in December 2015 related to the evolution of GNSS technology in the scope of H2020 activities for the period 2015-2020.

IOV/IOD

In 2019 the Commission and ESA signed the Contribution Agreement on Space technologies activities laying down the rules for the implementation of the IOD/IOV actions. The activities carried out by ESA cover the implementation of the IOD/IOV Project(s), the implementation of the corresponding IOD/IOV launch services and the management of the related procurements and interfaces with industry as well as the EU contribution to the ESA proof of Concept (PoC) flights for VEGA/SSMS and Ariane 6/MLS. The implementation period is foreseen up to 31 Dec 2022.

Justification of the recourse to indirect management

EC-ESA Framework Agreement of May 2004 establishing a general frame for cooperation aiming to link demand for services and applications using space systems in support of the Community policies, with the supply of space systems and infrastructures necessary to meet that demand, and which foresees that each party shall provide the other party with expertise and support in its own specific fields of competence.

The key role, competence and expertise of ESA being the European agency for research and development in the space domain, was recognised by the Resolution on the European Space Policy, unanimously approved by both the Council of the EU and the Council of the ESA, in Brussels on 22 May 2007 and confirmed by a further progress report on developments in the space domain presented to the Space Council in September 2008.

Justification of the selection of ESA

Indication in the legal bases: Delegation Decisions¹³, GNSS Regulation¹⁴, GMES Regulation¹⁵ under the former EU MFF (2007-2013) and GNSS Regulation¹⁶ and Copernicus Regulation¹⁷ under the new EU MFF (2014-2020), H2020 regulation.

Summary description of the implementing tasks entrusted to ESA

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

As detailed in section 2.1.1.1 (A) of this report, 38 % of the DG GROW budget is delegated to the European Space Agency (ESA):

- 21 % for the Copernicus programme
- 15% for the GNSS programmes (EGNOS and Galileo)
- 2 % for Horizon 2020

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

ESA and its role in European space activities¹⁸

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

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

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

EU/ESA cooperation in space: the general framework

The EU/ESA cooperation is a unique partnership of two leading European-level

¹³ Commission Decision C(2008)8556 final of 17.12.2008 delegating powers to ESA in accordance with article 54 (2) (c) of Council Regulation (EC)1605/2002, for the performance of tasks linked to the implementation of the Galileo Deployment Phase (2008-2013), and C(2013)9015 lastly amending the delegation of powers to ESA

¹⁴ Regulation EC/683/2008 of 09.07.2008

¹⁵ Regulation (EU) 911/2010 of 22.09.2010

¹⁶ Regulation (EU) 1285/2013 of 11 December 2013 on the implementation and exploitation of European satellite navigation systems and repealing Council Regulation (EC) No 876/2002 and Regulation (EC) No 683/2008 of the European Parliament and of the Council

¹⁷ Regulation (EU) 377/2014 of 3 April 2014 establishing the Copernicus Programme and repealing Regulation (EU) No 911/2010

¹⁸ <http://www.esa.int/ESA>

organisations providing joint leadership for Europe in the field of space. This cooperation was born from the shared belief that each partner needs the other to deliver on the public policy objectives, provide an appropriate political profile and a more coherent framework of space activities in Europe.

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

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

1.1 ESA Delegation Agreements

1.1.1 GNSS Programmes (Galileo FOC, EGNOS)

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

The Commission delegates to ESA the industrial procurement activities necessary for the implementation of the Full Operational Capability (FOC) phase of the Galileo programme and the development of the EGNOS programme. The measures financed under the GNSS Regulation must be implemented in accordance with the EU Financial Regulation *"without prejudice to measures required to protect the essential interests of the security of the EU or public security or to comply with EU export control requirements"*¹⁹. The Delegation Agreement signed with ESA states that the procurement activities entrusted to ESA are implemented *"in full coordination with the Commission and in accordance with the EU Procurement Rules and specific guidelines of the GNSS Regulation"*.

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

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

¹⁹ Chapter V of GNSS Regulation 1285/2013

GALILEO

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

Development phase: Galileo IOV (In-Orbit Validation)

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

Deployment phase: Galileo FOC (Full Operational Capability)

A multiannual Delegation Agreement was signed between the Commission and ESA on 19 December 2008 for the Galileo FOC activities. Under this agreement, particularly complex contracts were awarded for each of the six work packages foreseen, using the Competitive Dialogue procedure²⁰. This Delegation Agreement (ESA FOC) amounts to EUR 2,472.8 million.

A second Delegation Agreement for an amount of EUR 1,770 million was signed in July 2014 covering the Deployment phase for the 2014-2020 period (ESA FOC-DC). In 2016 and 2018 amendments have been signed to review the ESA remuneration and the industrial scope, making the total current delegated amount of EUR 2 825 million.

EGNOS

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

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

In parallel, a Delegation Agreement for the further development of EGNOS was signed in 2008 and lastly amended in 2014 between the EC and ESA for a total amount of EUR 161.5 million. The estimated costs for the tasks carried out by ESA include the industrial procurement activities (EUR 118.8 million), the Artemis signal provision (EUR 4.3 million) and the ESA costs as design and procurement agent (EUR 38.4 million). The final report is expected in 2020.

Horizon 2020 ACTIVITIES

A Delegation Agreement was signed on December 2nd 2015 related to the evolution of GNSS technology for the period 2015-2020. Five transfers of funds for an amount of EUR 217.4 million have been signed so far covering activities taking place within the period 2015-2019.

²⁰ Cf. Art 125 of the EU FR Implementing Rules (as applicable before the 2012 revision of the EU FR)

Amounts entrusted by DG GROW to ESA in 2019

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

Funds transferred by DG GROW to ESA in 2019 under the GNSS Delegation Agreements amounted to **EUR 55.0** million for Galileo FOC, **EUR 31.0 million** for H 2020 activities.

DG GROW supervision of the funds entrusted to ESA

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

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

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

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

Result indicators: Indicators of annual error – IOV Grant

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

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

<u>GALILEO FOC & FOC-DC</u>						
<i>(Amounts in €)</i>	Reported by ESA	Commission Audit report	Adjustment	Detected error rate	Implemented amount via clearing of pre-financing	Amount to be implemented
Financial Report for 2009	49 013 000	46 109 000	2 904 000	5,92 %	2 904 000	0
Financial Report for 2010	440 797 905	440 428 411	369 494	0,08 %	369 494	0
Financial Report for 2011	379 188 767	378 652 378	536 389	0,14 %	536 389	0
Financial Report for 2012	342 192 607	340 360 802	1 831 805	0,54 %	1 831 805	0
Financial Report for 2013	398 992 495	397 591 998	1 400 497	0,35 %	1 400 497	0
Financial Report for 2014	365 152 925	365 065 529	87 396	0,02 %	87 396	0
Financial Report for 2015	462 861 925	462 861 925	0	0,00 %	0	0
Financial Report for 2016	712 858 582	710 752 128	2 106 454	1.32%	2 106 454	0
Financial Report for 2017	389 193 535	389 193 535	0	0,00 %	0	0
Financial Report for 2018	404 303 175	404 303 175	0	0,00 %	0	0

EGNOS						
(Amounts in €)	Reported by ESA	Commission Audit report	Adjustment	Detected error rate	Implemented amount via clearing of pre-financing	Amount to be implemented
Financial Report for 2009	9 083 677	8 779 763	303 914	3.35 %	303 914	0
Financial Report for 2010	8 938 034	10 819 473	-1 881 439	0 %	0	0
Financial Report for 2011	20 852 645	20 437 965	414 680	1.99 %	414 680	0
Financial Report for 2012	17 179 905	17 115 843	64 062	0.37 %	64 062	0
Financial Report for 2013	47 296 592	47 086 921	209 671	0.44 %	209 671	0
Financial Report for 2014	25 047 048	21 666 079	3 380 970	13.50%	3 380 970	0
Financial Report for 2015	20 981 911	20 975 658	6 253	0.03%	6 253	0
Financial Report for 2016	10 620 722	10 564 645	56 077	0.53%	56 077	0

- DG GROW ex-post control team audits all annual financial/implementation reports (AFRs/AIRs) submitted by ESA. In 2017, the audits on the 2016 financial reports of FOC and EGNOS were launched but reports were finalised in 2018. The audits revealed detected error rates of respectively 1.32% and 0.53%. In 2018 the audit on the FOC 2017 financial report revealed no error. In 2019 the audit on the FOC 2018 financial report revealed also no error. No audit was performed on EGNOS as all costs have been cleared. The results of audits are implemented through a reduction of the total eligible amount. Errors detected in the AFRs/AIRs have no impact on the legality and regularity of the amounts paid to ESA, because amounts paid depend both on costs declared and on cash-flows forecasts.
- The DG GROW GNSS Programme team closely monitors the implementation of previous years' audit results and takes the necessary measures to deduct non-implemented adjustments from following payments.

2. Monitoring through ESA reports

- The Agreement obliges ESA to provide details of the activities carried out in the following reports: quarterly, annual, ad-hoc and final reports which contain detailed information about the implementation of the contracts, the costs incurred, an update on estimated completion date and milestones and, in the final report, an inventory list of the assets handed over to the Commission. These reports include Key Decision

Points (milestones for the implementation) of the GNSS programmes, through which it is possible to assess whether functional, financial or scheduling targets are met and if corrective measures are necessary.

- In the Annual Implementation Report ESA notably provides an overview of the year, an overview of the content of the risk register over the past year, including the results and effectiveness of any risk analysis and mitigation actions and a summary of the audits carried out by ESA and their main findings.
- Dedicated teams of technical and legal DG GROW staff carefully analyse these ESA reports and carry out on-the-spot visits when necessary.

3. High level management reporting

- Monthly meetings are held between the DG GROW and ESA Directors-General. The Director-General is briefed about all problems detected and which need to be addressed by ESA.
- Key DG GROW reports are prepared on the management of EU funds by ESA:
 - The DG GROW Management Plan (MP) shows the specific objectives and tasks necessary to achieve the general objectives. A set of indicators facilitates the monitoring process.
 - Mid-term report on the achievement of the objectives set in the MP.
 - Monthly financial monitor of budget execution.
 - Biannual report to the Commissioner on management and internal control issues.
 - DG GROW Annual Activity Report (AAR).

4. External (performance) monitoring by independent bodies:

- In 2013 and 2014, a re-assessment of ESA's control systems (accounting, internal control, own audit and procurement procedures) was outsourced by DG GROW to an independent external audit firm. Both assessments confirmed that ESA applies the EU procurement rules and its own audit, accounting and internal control rules and procedures which offer guarantees equivalent to internationally accepted standards.
- OLAF and the Court of Auditors or their representatives may also conduct documentary and on-the-spot checks on the use made of the EU funds under the Delegation Agreement. Due to the high amount of the payments to ESA and the Court's sampling methodology, audits are performed on a regular basis by the Court of Auditors.
- Feedback from the DG GROW Internal Audit Capability (IAC), the Commission's Internal Audit Service (IAS) and the European Court of Auditors (ECA) is provided. DG GROW systematically monitors the implementation of the action plans resulting from these financial and performance audits and duly reports on progress.
- Independent experts assist the Commission with regard to programme implementation and make recommendations in particular regarding risk management.

- In addition, the Director General of ESA asked an independent Commission composed of experts from leading Space Agencies to perform an analysis and to provide recommendations on plausible further improvements in the operational management of Galileo. This analysis resulted in five recommendations, which were addressed in 2014.
- The Galileo Inter-institutional Panel facilitates close cooperation between the EP, Council and the Commission and allows the three institutions to closely monitor GNSS programme implementation, international agreements with non-EU countries, the preparation of satellite navigation markets, the effectiveness of governance arrangements and the annual review of the work programme.

1.1.2 Copernicus Programme

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

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

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

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

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

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

A GMES Delegation Agreement formalising a contribution of EUR 624 million was signed by EU and ESA on 28 February 2008 (amended on 28 January 2009). This Delegation

Agreement was amended in June 2011, enhancing the contribution to a total amount of **EUR 728** million from FP7 and the GMES regulation budgets.

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

In 2013 the Commission proposed a new Regulation under the new MFF for the continuation of the GMES programme under the name Copernicus which was adopted in the second quarter of 2014.

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

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

1. Amounts entrusted by DG GROW to ESA in 2019

The amounts are transferred to ESA on a quarterly basis by way of a cash advance. The pre-financing for 2019 related to Copernicus, at the total amount of EUR 416.9 million, was aimed at covering the expenditure for construction of recurrent satellites, operations, access to contributing missions data, pre-financing of payments and the internal costs of the agency for the implementation of the Copernicus activities.

2. DG GROW supervision of budget entrusted to ESA

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

- The Copernicus ESA Delegation Agreement (Article 11) which has established the key institutional guarantee of the Procurement Board, as a special body under the Agreement designed to optimise the execution of the procurements to be made by ESA. This arrangement takes due account of the respective roles and responsibilities of both ESA and the Commission during the execution of such procurements and provides a timely and cost effective procedure for management of the process. It is composed of Commission staff, subject to pertaining rules of conflicts of interest and it is being chaired by a Commission authorising officer under the Financial Regulation.
- Regular monitoring of the co-funded activities including desk monitoring and participation in ESA's relevant meetings as appropriate (Article 4 of GMES agreement and article Article 20 of the Copernicus ESA DA)

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

Result indicators: Indicators of error – GMES/COPERNICUS

<i>(Amounts in €)</i>	Reported by ESA (EC accepted costs)	Commission Audit report (eligible costs)	Adjustment	Detected error rate	Implemented amount via clearing of pre-financing	Amount to be implemented
Financial Report for 2009	80 401 424	79 566 603	834 821	1,04 %	834 821	0
Financial Report for 2010	137 657 344	113 959 263	23 698 081	17,22 %	23 698 081	0
Financial Report for 2011	171 487 659	171 029 224	458 435	0,27 %	458 435	0
Financial Report for 2012	104 124 840	102 058 630	2 066 210	1,98 %	2 066 210	0
Financial Report for 2013	78 518 254	78 524 613	-6 359	0,00 %	-6 359	0
Financial Report for 2014	136 135 061	136 133 236	1 825	0,001%	1 825	0
Financial Report for 2015	183 930 223	183 930 223	0	0,00%	0	0
Financial Report for 2016	651 537 638	651 527 254	3 431	0,001%	3 431	0
Financial Report for 2017	556 348 956	556 348 956	0	0,00%	0	0
Financial Report for 2018	478 467 614	478 467 614	0	0,00%	0	0

DG GROW ex-post controls cover all Annual Financial Reports (AFR) submitted by ESA. The audit of the 2018 financial reports was finalised at the end of 2019. No errors were reported. Regular Audits and corresponding corrections ensure that, on a multi-annual basis, the total amount paid under the Delegation Agreement will be compliant with the eligibility rules and will not exceed the limits defined in the Delegation Agreement.

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

3. Monitoring through ESA reports

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

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

4. High level management reporting:

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

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

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

5. External (performance) monitoring by independent bodies:

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

1.1.3 IOV/IOD

One of the main objectives of the Space strategy for Europe is to foster a globally competitive and innovative European space sector in particular by improving support to technological maturity, for sub-systems, equipment and technologies, including in-orbit demonstration and validation activities, to reduce time to market.

To ensure European non-dependence and competitiveness in technologies, there is a clear need for a regular, sustainable, cost-effective and responsive IOD/IOV service in Europe. Space flight heritage in real conditions and environment is often required to de-risk innovations such as new technologies, products, concepts, architectures, and operations techniques be they for unique or recurrent, institutional or commercial missions.

Although flight opportunities do exist, these are often difficult to find ad hoc at affordable cost and/or in the required timeframe, and at an acceptable risk for the main mission.

The main objective of the overall IOD/IOV activity is to provide a regular and cost-effective solution for common flight ticket actions (management, spacecraft design and possible reuse for multiple mission, Assembly, integration and Tests, launch and

operations) based on European solutions both for the spacecraft (i.e. platform and aggregate of experiments) and for the ground and launch services.

In April 2019, the Commission and ESA signed an EU-ESA Contribution Agreement on Space Technology Activities laying down the rules for the implementation of the Action for the payment of the EU Contribution, and defines the relations between ESA and the Commission and the Transfer of Funds Agreement N°1 (for an amount of EUR 54 million). The total indicative commitment ceiling profile of the Action is estimated at EUR 96.5 million.

On 26 November 2019, the Commission and ESA signed the Transfer of Funds Agreement No. 2 which complements the Transfer of Funds Agreement No. 1 (for an amount of EUR 42.5 million).

The amounts are transferred to ESA on a bi-annual basis by way of a cash advance. In 2019, the pre-financings for the two different Transfer of Funds amounts to EUR 26.8 million.

1.2 Supervision of ESA activities

Supervision of the tasks delegated to ESA is set in line with the EU-ESA Contribution Agreement, which implies reliance on ESA's own accounting and Internal Control System (indirect management mode). ESA applies its own procurement rules and procedures.

The assurance on the effectiveness of the internal control systems with regard to the legality and regularity of the costs reported is built on :

- ESA's control results and/or assurance:
 - *Opinion of the external auditor*

The ESA's external Audit Commission gave an unqualified opinion on the Agency's 2012, 2013, 2014, 2015, 2016, 2017 and 2018 financial statements, as ESA made significant improvements and achieved full compliance with the International Public Sector Accounting Standards (IPSAS).
 - *Statement of Internal Control of the Director-General*

A Statement of Internal Control has been produced by ESA's Director-General confirming that the internal control system in place during 2019 provides reasonable assurance of achieving its operation, reporting and compliance objectives.
 - *Reporting quality control at ESA*

In order to minimise any potential errors in the Annual Financial Reports submitted to the European Commission, the Agency developed a quality control on its reporting. All reports are verified by the Agency's Compliance Office before submission. Following several audits performed by the European Commission and the European Court of Auditors, the quality of the reports has been significantly enhanced.
- Authorising Officers by Delegation's own control results on the ESA's operations:
 - *Results of the audits of the 2019 reports*

The DG GROW ex-post audit team continued to audit all the Annual Implementation Reports (AIRs) and Annual financial reports (AFRs) submitted by ESA.

The samples chosen by the auditors are statistically representative. They were chosen using different sampling methods ((i) stratified per cost segments/category and selection based on the value of the transaction and/or risky profile, or ii) full scope per cost segment/category). The detected error rate has been calculated as a comparison between the amount of errors and the audited amount of the AIR.

In 2019, the ex-post audit team of DG GROW performed an audit on the Copernicus/GMES programme (2018 financial reports). A sample of a total value of EUR 189.076.560, representing 40% of the total costs claimed, was verified and no errors were found (no error detected).

One ex-post audit was also performed on the GNSS programme (2018 FOC and FOC-DC reports). The audit tests were performed on a full scope basis of all the costs declared for both the Delegation Agreements (for a value of EUR 43.220.217 for FOC and a value of EUR 361.082.957 for FOC-DC). For both Delegation Agreements no errors were found (no error detected).

Another ex-post audit on the H2020 programme (financial report 2018) was performed in 2019. A sample for a value of EUR 33.969.822, representing 86% of the total costs claimed was verified and no errors were revealed.

In order to improve the financial supervision of the entrusted Space entities regarding the financial use of European Union funds, the role of the Unit GROW.02 has been reinforced as from 2017. This Unit coordinates the financial management of the Space programmes within the Directorate-General.

As to procurement, the European Commission is represented by ESA who acts as its procurement agent by delegation.

In addition, an ex-ante assessment was finalised early 2014, covering the pillars identified in Article 154.4 of the EU Financial Regulation.

Transfers of funds to ESA are based on annual and quarterly reports submitted by ESA together with forecasts of cash-flow needs for the next period, all of which are checked before payments are made. In addition, on a yearly basis, all costs reported by ESA are verified by means of on-the-spot checks. In view of the multiannual perspective, the annual implementation reports of ESA for 2019 are due in 2020 and the findings will only be considered for the clearing of the related pre-financing once the ex-post audit will be finalised. They will be covered in the Annual Activity Report for 2020.

Against this background, monitoring of the EU-ESA Contribution Agreement is carried out through:

- *The EU-ESA Contribution Agreement, which has established the key institutional guarantee of a Procurement Board (article 6), as a special body under the Agreement designed to optimise the execution of the procurements to be made by ESA. This arrangement takes due account of the respective roles and responsibilities of both ESA and the Commission during the execution of such procurements and provides a timely and cost effective procedure for management of the process.*
- *Regular monitoring of the activities including desk monitoring and on the spot checks.*

1. Monitoring through ESA reports

The EU-ESA Contribution Agreement obliges ESA to submit to the Commission bi-annually implementation reports (annually and semestrial), a final report summarising the implementation of tasks covered by the Agreement as well as ad-hoc reports including information to be used by the Commission to inform Horizon 2020 Programme Committee. (Article 9 of Agreement).

Furthermore it foresees that ESA shall keep accurate and regular records and accounts of the implementation of the Action. Financial transactions and financial statements shall be subject to the internal and external auditing procedures laid down in the Regulations and Rules of ESA.

2. High level management reporting:

The EU-ESA Contribution Agreement states that ESA and the Commission will endeavour to strengthen their mutual contacts with a view to foster the exchange of information throughout the implementation of the Action. To this end, ESA and the Commission shall participate in coordination meetings and other jointly organised common activities.

3. External (performance) monitoring by independent bodies:

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

2. OTHER ENTRUSTED ENTITIES - COPERNICUS

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

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

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

2.1 EUMETSAT

(European Organisation for the Exploitation of Meteorological Satellites)

Programmes concerned Copernicus Infrastructure
Annual budgetary amount entrusted Amounts transferred in 2019: EUR 45.4 million
Delegation Agreement The multi-annual Delegation Agreements were signed with the European Space Agency (ESA), EUMETSAT, Mercator Océan and ECMWF in 2014, in line with the current EU MFF (2014-2020). The maximum amount to be delegated to Eumetsat under this Agreement was initially EUR 229 million . During 2018 an amendment increasing the total delegated amount to EUR 254 million has been negotiated with Eumetsat. The amendment was signed in January 2019.
Justification of the recourse to indirect management The key objectives of EUMETSAT being the European Organisation for the Exploitation of Meteorological Satellites are to establish, maintain and exploit European systems of operational meteorological satellites, and to contribute to the operational monitoring of the climate and the detection of global climatic changes. Its role as a contributor to the GMES/Copernicus programme was recognised by the Council Resolution on Taking Forward the European Space Policy adopted on 26 September 2008. EU Regulation No 377/2014 of 3 April 2014 which established the Copernicus Programme confirmed EUMETSAT as an Entrusted Entity to take over responsibilities in operating the dedicated missions and providing access to contributing mission data.

Justification of the selection of EUMETSAT

The Copernicus Regulation stipulates that the Commission shall conclude delegation agreements with ESA and with the European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT) entrusting them with tasks related to the Copernicus space component for the period 2014-2020.

Summary description of the implementing tasks entrusted to EUMETSAT

According to its mandate and expertise EUMETSAT has been entrusted with the operations of dedicated satellites and instruments (Jason-3, Sentinel 3 for marine observations and Sentinels 4, 5 and 6) and the respective ground segment, including the distribution and dissemination of Copernicus data. The financing specified above covers the expenditure for operations, access to contributing missions data, pre financing of payments and the internal costs of the agency for the implementation of the Copernicus activities.

Result indicators: Indicators of error – EUMETSAT/COPERNICUS

(Amounts in €)	Reported by Eumetsat	Commission Audit report	Adjustment	Detected error rate	Implemented amount via clearing of pre-financing	Amount to be implemented
Financial Report for 2014	339 061	341 708	- 2 647	0,00%	- 2 647	0
Financial Report for 2015	5 788 694	5 815 842	- 27 148	0,00%	- 27 148	0
Financial Report for 2016	20 494 837	Not audited				
Financial Report for 2017	27 779 921	27 085 987	693 933	2.5%	693 933	0
Financial Report for 2018	Not audited					

2.2 Mercator Océan

Programmes concerned

Copernicus Services - Marine Environment Monitoring Service

Annual budgetary amount entrusted

Amounts committed in 2019: EUR 34 million

Amount transferred in 2019: EUR 27.5 million

Duration of the delegation

On 11 November 2014, a Delegation Agreement was signed with Mercator Océan for a total contract value of EUR 144 million for the seven years of the MFF (2014-2020).

Justification of the recourse to indirect management

In the implementation of the Copernicus service component, the Commission may rely, where duly justified by the special nature of the action and specific expertise, on competent entities, such as the European Environment Agency, the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (FRONTEX), the European Maritime Safety Agency (EMSA) and the European Union Satellite Centre (SATCEN), the European Centre for Medium-Range Weather Forecasts (ECMWF),

and other relevant European agencies, or other bodies potentially eligible for a delegation in accordance with the Financial Regulation.

Justification of the selection of Mercator Océan

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

Summary description of the implementing tasks entrusted to Mercator Océan

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

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

In 2019, all products now benefit from the operational Sentinel 3A and B constellation. A new release of the product portfolio was issued with improvements to white and green ocean monitoring. The Copernicus Ocean State Report #3 was published, highlighting changes in the marine environment due to climate change, an important contribution to the Sustainable Development Goal 14 (SDG 14). The number of registered users continues to grow and is now approaching 20,000."

Result indicators: Indicators of error – MERCATOR/COPERNICUS

<i>(Amounts in €)</i>	Reported by MERCATOR	Commission Audit report	Adjustment	Detected error rate
Financial Report for 2014	181.128	180.341	-787	0.43%
Financial Report for 2015	11.323.190	11.310.953	-12.237	0.11%
Financial Report for 2016	19.328.239	19.319.822	-8.417	0.11%
Financial Report for 2017	Not audited			
Financial Report for 2018	24.587.119	24.579.863	-7.256	0,14%

2.3 ECMWF (European Medium Range Weather Forecasting Centre)

Programmes concerned

Copernicus Services

Annual budgetary amount entrusted

Amounts transferred in 2019: € 55.8 million

Duration of the delegation

On 11 November 2014, a delegation agreement was signed with ECMWF for a total contract value of € 291 million for the seven years of the MFF (2014-2020).

Justification of the recourse to indirect management

In the implementation of the Copernicus service component, the Commission may rely, where duly justified by the special nature of the action and specific expertise, on competent entities, such as the European Environment Agency, the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (FRONTEX), the European Maritime Safety Agency (EMSA) and the European Union Satellite Centre (SATCEN), the European Centre for Medium-Range Weather Forecasts (ECMWF), other relevant European agencies, groupings or consortia of national bodies, or any relevant body potentially eligible for a delegation in accordance with the Financial Regulation.

Justification of the selection of ECMWF

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

Summary description of the implementing tasks entrusted to ECMWF

Coordination of the technical implementation of the Atmospheric Monitoring and Climate Change services and dissemination/archiving activities, as defined in Annex I of the Copernicus Delegation Agreement.

In 2019, the Entrusted Entity provided the Copernicus Atmosphere Monitoring Service and the Copernicus Climate Change Service in operational modes , involving in particular the following activities:

- Provision of data and products in an operational mode according to the product portfolio of CAMS and C3S;
- Development and procurement of the infrastructure required for the provision of both services, this includes the maintenance of back-up systems and service recovery mechanisms;
- Support of users through helpdesk, documentation, and preparation of training;
- Change management and corresponding continuous development work for the integration of newly available input data and response to user requests and findings from wider research activities; this includes the uptake of either test data sets or actual data from Sentinel missions;
- Communication and outreach to link existing and new users with the operational service.

Result indicators: Indicators of error – ECMWF/COPERNICUS

(Amounts in €)	Reported by ECMWF	Commission Audit report	Adjustment	Detected error rate	Implemented amount via clearing of pre-financing	Amount to be implemented
Financial Report for 2017	41 836 912	41 836 912	0	0.0%	0	0
Financial Report for 2018	Not audited					

ANNEX 7: EAMR of the Union Delegations

Not applicable to DG GROW.

ANNEX 8: Decentralised agencies

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

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

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

Agency	Policy concerned	DG GROW payments to Agency in 2019 (in € million)	
		Subsidy*	Entrusted amount**
ECHA	Chemicals – implementation of REACH and CLP Regulations	59.8	1.7
GSA	<ul style="list-style-type: none"> ➤ <u>Mandated activities:</u> GNSS programmes – EGNOS and Galileo <i>Security (security accreditation, operation of Galileo Security Monitoring Centre)</i> <i>Commercialisation of the systems</i> ➤ <u>Delegated activities:</u> GNSS programmes – EGNOS and Galileo EGNOS exploitation Galileo exploitation <i>Contribution to the development of PRS (Public Regulated Service)</i> <i>Preparatory activities for exploitation of the systems</i> GNSS-related research <i>7th research Framework Programme (FP7) H2020</i> 	36.0	731.9
EEA	Space – GMES/Copernicus programme (European Land Service, and in-situ data coordination)	0	6.9
FRONTEX	Space – Copernicus programme – Copernicus Security Service	0	15.1
EMSA	Space – Copernicus programme – Copernicus Security Service	0	9.6
EDA		0	29.4
SATCEN-EAS	Industrial policy – manufacturing.	0	3.3

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

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

1. EUROPEAN CHEMICALS AGENCY (ECHA)

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

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

In accordance with the REACH Regulation (No 1907/2006), ECHA is financed through fees paid by undertakings and by an EU balancing subsidy. A balancing subsidy of EUR 59.7 million was paid to ECHA in 2019. This amount includes EFTA contribution of EUR 1.4 million.

At the end of 2019, ECHA had 601 staff (TA, CA and SNE) for all its activities and an expenditure of EUR 98.2 in commitment appropriations and EUR 97.3 million in payment appropriations (for REACH and CLP).

The ECHA's governing body, the Management Board, is composed of representatives from the Member States, the European Parliament, the European Commission (DG GROW, DG ENV, DG SANTE), and three members without voting rights appointed by the Commission representing industry, trade unions and NGOs.

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

1.1. Supervision mechanism

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

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

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

- Forum for Exchange of Information on Enforcement (FORUM)
- HelpNet
- Participation as members to the following networks convened by the Agency:
 - Security Officers Network
 - REACH Communicators' Network
- The following reports were generated on the working of the Agency:
 - ECHA 2018 General Report, covering financial as well as operational activities.

The balancing subsidy was paid in three instalments and against the provision of a cashflow in accordance with the arrangements agreed in the MoU signed with the Agency on payment of EU subsidy.

1.2. Supervision activities performed in 2019

Besides the participation in the governance bodies listed above in 2019 DG GROW, DG GROW supervised the following ECHA's activities:

- *Budget of the Agency – procedure for the Draft Budget 2020*
 - evaluated the request for appropriations and staff coming from the Agency and followed up on the budget procedure.
- *ECHA's draft Single Programming Document (SPD) 2020-2022*
 - contributed to the preparation of the SPD 2020-2022. The Commission also issued an opinion²¹ on the SPD in September 2019
- *Discharge 2018*
 - followed up the discharge for financial year 2018;
- *Common Approach on decentralised agencies*
 - participated in the network of desk officers for agencies coordinated by the Secretariat General and contributed to the follow-up of the Common Approach on decentralised agencies managed by the Secretariat General
- *HR*
 - implemented the Roadmap of the Common Approach on EU decentralised agencies endorsed in July 2012 by the European Parliament, the Council and the Commission.
 - Drafted and adopted decision in relation to the implementing rules of the Staff Regulation in decentralised agencies.
 - Launched the selection procedure for the Alternate/Additional Technically Qualified members of ECHA Board of Appeal to provide the appointing authority of ECHA (the Management Board) with the list of shortlisted candidates in accordance with Article 89(3) of REACH Regulation.

Internal Audit Service (IAS)

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

²¹ C(2019) 6856 final

In 2019 the IAS conducted an audit on Performance management.

In 2019, the Internal Audit Capability of ECHA carried out assurance audits on

- a) *Union authorisations (BPR)*
- b) *IMS quality audit in co-operation with the Quality manager*
- c) *Forum activities*
- d) *Follow-up of Audit of the Restrictions;*
- e) *Follow-up of Audit of the External communication and media management*
- f) *Follow-up of Audit of the Reporting and monitoring of the budget execution*

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

2. EUROPEAN GNSS AGENCY (GSA)

The European Global Navigation Satellite Systems Agency (GSA²²) was created by Regulation 912/2010 of 22 September 2010²³. The current legal base aligns the Agency's mandate with what is stipulated in the GNSS Regulation (No 1285/2013) and further develops the work the Agency has to undertake in the domain of security.

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

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

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

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

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

At the end of 2019, GSA had 138 staff and a budget of EUR 33.6 million.

2.1. Supervision mechanism

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

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

²² Formerly known as the GNSS Supervisory Authority.

²³ REGULATION (EU) No 912/2010 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 22 September 2010 setting up the European GNSS Agency, repealing Council Regulation (EC) No 1321/2004 on the establishment of structures for the management of the European satellite radio navigation programmes and amending Regulation (EC) No 683/2008 of the European Parliament and of the Council and amended by Regulation 512/2014 of 16 April 2014. The Regulation 912/2010 entered into force on 9 November 2010.

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

2.2. Supervision activities performed in 2019

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

DG GROW participated actively in the meetings of the Administrative Board that took place in the course of 2019. It regularly informed the Board members of the state of play in other areas of the GNSS Programmes and intervened in discussions to ensure overall coherence of activities, in line with its mandate as manager of the GNSS Programmes.

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

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

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

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

An ex-post audit was performed in April 2019 at GSA on the 2018 AIR both for Galileo and EGNOS. For both audits non-material errors were found (overall detected error rate - 0.1%, positive amount). These errors were related to unnecessary corrective bookings of previous years' adjustments and use of an incorrect rate on GSA's variable remuneration calculation.

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

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

GALILEO						
<i>(Amounts in €)</i>	Reported by GSA	Commission Audit report	Adjustment	Detected error rate	Implemented amount via clearing of pre-financing	Amount to be implemented
Financial Report for 2016	19.488.475	18.628.058	-860.417	4.42 %	860 417	0
Financial Report for 2017	432.571.139	432.518.462	-52.677	0.01 %	52 677	0
Financial Report for 2018	480.850.890	480.903.567	52.677	-0,01%		

EGNOS						
<i>(Amounts in €)</i>	Reported by GSA	Commission Audit report	Adjustment	Detected error rate	Implemented amount via clearing of pre-financing	Amount to be implemented
Financial Report for 2016	98.028.677	95.625.748	-2.402.929	2.45 %	2 402 929	0
Financial Report for 2017	103.969.092	103.464.571	-504.521	0.49 %	504 521	0
Financial Report for 2018	159.776.396	160.169.764	393.368	-0.24%		

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

3. EUROPEAN ENVIRONMENT AGENCY (EEA)

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

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

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

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

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

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

Besides, the Agency activities are in their turn subject to checks, audits, investigations and evaluations by the Commission, OLAF and the European Court of Auditors.

All these measures together provide for a solid supervision of the Agency's implementing activities.

In July 2019, the DG GROW ex-post audit team performed a financial audit on the costs declared in the AIR 2018 submitted by EEA for the Copernicus Program. The audit revealed serious material errors (11.99% detected error rate). The main findings relate to incorrect calculation of the depreciation costs, errors in the pro-rata temporis cost calculation and the accruals cost calculation methodology.

Result indicators: Indicators of annual error – EEA

<i>(Amounts in €)</i>	Reported by EEA	Commission Audit report	Adjustment	Detected error rate	Implemented amount via clearing of pre-financing	Amount to be implemented
Financial Report for 2016	4.871.854	4.691.072	-180.782	3,71%		
Financial Report for 2017	not audited					
Financial Report for 2018	18.407.180	16.912.013	-1.495.167	11.99%		

4. EUROPEAN BORDER AND COAST GUARD AGENCY (FRONTEX)

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

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

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

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

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

The agreement has been negotiated on the basis of the implementation framework set by the relevant Commission Implementing Decision Commission Implementing Decision²⁴ that authorised the Director-General of DG GROW to sign it after prior information to the Commission. The implementation period of the agreement runs until 31 December 2021. The maximum EU budget delegated amounts to EUR 47.6 million. These appropriations shall cover:

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

4.1. Supervision mechanism

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

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

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

FRONTEX sets up and ensures the functioning of effective and efficient internal control systems, which are aimed at providing reasonable assurance as to the achievement of

²⁴ Commission Implementing Decision of 29.09.2015 on a delegation agreement with the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union in the Framework of the Copernicus programme (C(2015)4340 final).

the internal control objectives as defined in article 32(2) of the Financial Regulation including notably the reliability, completeness and valuation of the inventories of the tangible and intangible assets produced or acquired under the programme (Article 7.2 of the DA).

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

4.2. Supervision activities conducted in 2019

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

In September 2019 the DG GROW ex-post audit team performed an audit on the costs declared in the AIR 2018 submitted by Frontex for the Copernicus Program. The main audit findings were :

- errors in the financial reporting (payments, pre-financing, eligible costs of previous years),
- non-declaration of 2017 and 2018 accruals and incorrect pro-rata temporis calculation,
- incorrect staff costs calculation,
- not-satisfactory indirect costs calculation for SatCen.

Result indicators: Indicators of annual error – FRONTEX

<i>(Amounts in €)</i>	Reported by FRONTEX	Commission Audit report	Adjustment	Detected error rate	Implemented amount via clearing of pre-financing	Amount to be implemented
Financial Report for 2017	6.505.198	7.875.846	1.370.648	0,00%		
Financial Report for 2018	9.723.273	9.746.664	23.391	-0,25%		

5. EUROPEAN MARITIME SAFETY AGENCY (EMSA)

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

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

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

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

The agreement has been negotiated on the basis of the implementation framework set by the relevant Commission Implementing Decision²⁵ that authorised the Director-General of DG GROW to sign it after prior information to the Commission. This Decision lays down the actions to be implemented, the amount of the entrusted funds and the conditions for their management in view of ensuring that tasks will be carried out within the limits of the budget allocated, the schedule foreseen and the performance expected. The implementation period of the agreement runs until 31 December 2021. The maximum EU budget delegated amounts to EUR 40 million. These appropriations shall cover:

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

5.1. Supervision mechanism

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

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

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

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

The contracts tendered by the entrusted entity shall provide for the Union with ownership

²⁵ Commission Implementing Decision of 19.11.2015 on a delegation agreement with the European Maritime Safety Agency in the framework of the Copernicus programme (C(2015)3006 final).

of the results produced/developed in the process of implementation of the Copernicus tasks. (Article 16.1 of the DA).

5.2. Supervision activities conducted in 2019

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

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

In 2019 no financial audit was performed by the ex-post audit team on the costs declared in the 2018 AIR.

EMSA

<i>(Amounts in €)</i>	Reported by EMSA	Commission Audit report	Adjustment	Detected error rate	Implemented amount via clearing of pre-financing	Amount to be implemented
Financial Report for 2017	6.421.992	6.076.446	-345.546	5,38%		
Financial Report for 2018	not audited					

6. EUROPEAN DEFENCE AGENCY (EDA)

The European Defence Agency performs tasks relating to the implementation of the Pilot Project on Common Security and Defence Policy (CSDP) research, including programme management tasks, and is accountable for them. This [Preparatory Action on Defence Research \(PADR\) programme](#) is launched by the Commission in June 2017 for a 3-year period. The tasks are entrusted to it by the Commission by means of a delegation agreement and include the call preparation, evaluation follow-up and administrative management of the project on behalf of the Union.

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

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

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

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

7. EUROPEAN UNION SATELLITE CENTRE (SATCEN)

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

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

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

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

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

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

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

In 2019 no financial audit was performed on the costs declared in the 2018 AIR while no financial error was revealed by the audit 2018.

SATCEN

<i>(Amounts in €)</i>	Reported by SatCen	Commission Audit report	Adjustment	Detected error rate	Implemented amount via clearing of pre-financing	Amount to be implemented
Financial Report for 2017	1.969.701	1.985.199	15.498	0,00%		
Financial Report for 2018	Not audited					

ANNEX 9: Evaluations and other studies finalised or cancelled during the year

Published Studies 2019

Title	Reason	Scope	Type	Associated Directorates-General	Costs (EUR)	Comments	Reference
Assistance factor (ratio of auxiliary propulsion power and actual pedal power) for cycles designed to pedal of vehicle sub-category L1e-B	IMA	/	/	/	49 977	/	(P) Published (14/10/2019): https://circabc.europa.eu/w/browse/a2e069ba-a00c-4caa-8880-8c4ed78c2ac0
Study on workability issues concerning the implementation of Annex VIII of Regulation (EC) No 1272/2008 on harmonised information relating to emergency health response and preventative measures	IMA	/	/	DG ENV	190 425	/	(P) Published (31/07/2019) : https://ec.europa.eu/growth/sectors/chemicals/poison-centres_en
Evaluation of regulatory tools for enforcing online gambling rules and channelling demand towards controlled offer	IMA	/	/	/	121.905	/	(P) Published (29/01/2019): https://publications.europa.eu/en/publication-detail/-/publication/6bac835f-2442-11e9-8d04-01aa75ed71a1/language-en/format-PDF/source-88055302
Designing the IT landscape of the Single Digital Gateway (SDG)	IMA	/	/	/	300 000	/	Finalised not published (hackathons), https://ec.europa.eu/growth/content/single-digital-gateway-hackathon-brussels-edition_en
Study on the scale and impact of industrial espionage and theft of trade secrets through cyber	IMA	/	/	/	181.760	/	(P) Published (11/03/2019): https://publications.europa.eu/en/publication-detail/-/publication/4eae21b2-4547-11e9-a8ed-01aa75ed71a1/language-en/format-PDF/source-100093888

Title	Reason	Scope	Type	Associated Directorates-General	Costs (EUR)	Comments	Reference
Study to explore data availability at the national level in order to develop indicators for evaluating the performance of the Remedies Directives	IMA	/	/	/	149.492	/	(P) Published (14/02/2019) https://ec.europa.eu/growth/single-market/public-procurement/rules-implementation/remedies-directives_en
Studies to support the Competitiveness & Integrated Report 2019	COSME	/	/	/	690 587	1/5 studies published	Single Market Performance Report 2019 -> (P) Published (17/12/2019): https://ec.europa.eu/info/sites/info/files/2020-european-semester-single-market-performance-report_en.pdf
Study on the technical progress of conformity of production for replacement silencing system as a separate technical unit	IMA	/	/	DG ENV	49 998	/	(P) Published (04/04/2019): https://op.europa.eu/en/web/eu-law-and-publications/publication-detail/-/publication/88325926-574d-11e9-a8ed-01aa75ed71a1
Study on illegal sales of pyrotechnic articles destined for professional users (category F4) to the general public	IMA	/	/	DG HOME, Europol	57 375	/	(P) Published (08/05/2019): https://ec.europa.eu/docroom/documents/35341?locale=en
Impulse paper on the role of cultural and creative sectors in innovating European industry	COSME	/	/	/	15 000	/	(P) Published (25/02/2019): https://publications.europa.eu/en/publication-detail/-/publication/cd264783-3977-11e9-8d04-01aa75ed71a1/language-en/format-PDF/source-88276646
Support report "mapping sustainable fashion opportunities for SMEs"	COSME	/	/	/	59.820	/	(P) Published (07/08/2019): https://ec.europa.eu/growth/sectors/fashion/high-end-industries/eu#report
SME Performance Review (SPR 2018) – Annual Report and country fact	COSME	/	/	/	1 000 000	/	(P) Published (November 2019): https://ec.europa.eu/gro

sheets							wth/spr
Title	Reason	Scope	Type	Associated Directorates-General	Costs (EUR)	Comments	Reference
Econometric study on the impact of loan guarantee financial instruments on growth and jobs of SMEs	COSME	/	/	ECFIN/L2 BUDG/D2	52 350	/	(P) Published (08/01/2019): https://publications.europa.eu/en/publication-detail/-/publication/7c0f4808-13c2-11e9-81b4-01aa75ed71a1/language-en/format-PDF
Review study of the ecodesign voluntary agreement for the product group "videogames consoles"	IMA	/	/	DG ENER C3	98.000	/	(P) Published (01/10/2019): http://publications.europa.eu/publication/manifestation_identifier/PUB_ET_0319705ENN
Study on the competitiveness of the Rail Supply Industry	COSME	/	/	GROW (A2, A4, B1, H2, G2,G1,) SG, DG MOVE, DG TRADE	228 689	/	(P) Published (06/11/2019): https://ec.europa.eu/docroom/documents/38025
Copernicus services support to Cultural Heritage - criteria for the compilation of a dedicated products portfolio	SPACE	/	/	GROW(DIR I, J, 02, 01, 03) RTD, HOME, ENER, MOVE, BUDG, REA and GSA	199 996	/	(P) Published (14/05/2019): https://op.europa.eu/en/publication-detail/-/publication/220f385f-76bd-11e9-9f05-01aa75ed71a1/
An assessment of the possible EU space situational awareness initiative (SSA)	SPACE	/	/	GROW (I2,J1,02,01) RTD, HOME, ENER, MOVE, ECHO, DIGIT, JRC, BUDG, REA, SG, LS and EEAS	299 736	/	Finalised not published
Study on the Copernicus data policy POST-2020	COPERNICUS	/	/	GROW I1, I2	100 000	/	(P) Published (02/04/2019): https://www.copernicus.eu/sites/default/files/2019-04/Study-on-the-Copernicus-data-policy-2019_0.pdf
Study on Societal Criteria in Upstream Space Infrastructure	COPERNICUS	/	/	GROW (I1, I2, G1, J1)	80 150	/	(P) Published (12/04/2019): https://www.copernicus.eu/sites/default/files/2019-

Procurement							04/SocietalCriteriainSpaceProcurement-Finalreport.pdf
Title	Reason	Scope	Type	Associated Directorates-General	Costs (EUR)	Comments	Reference
Mapping, analysis and characterization of "space hubs" in the EU	SPACE	/	/	GROW/I, GROW/J, GROW/02, GROW/01, GROW/03, RTD, HOME, ENER, MOVE, BUDG, REA and GSA	249 904	/	(P) Published (27/07/2019): https://op.europa.eu/en/publication-detail/-/publication/891052ff-ae91-11e9-9d01-01aa75ed71a1/language-en/format-PDF/source-112930232
SME Performance review (SPR 2019) - Annual Report and country fact sheets	COSME	/	/	GROW A2, SBA desk officers in different units, ESTAT, JRC	1.000.000,00	/	(P) Published (November 2019): https://ec.europa.eu/growth/spr https://ec.europa.eu/docroom/documents/38365/attachments/2/translations/en/renditions/native
Study on development of GNSS Standards for drones/UAV/RPAS	GNSS	/	/	DG MOVE	485 000	/	Finalised not published (will not be published)
Copernicus Market Report 2019	COPERNICUS	/	/	JRC / ECHO	299 848	Update of the study "Copernicus Market report 2016" published in november 2016.	(P) Published (February 2019): https://www.copernicus.eu/sites/default/files/2019-02/PwC_Copernicus_Market_Report_2019_PDF_version.pdf

Cancelled Studies 2019

Title	Reason	Scope	Type	Associated Directorates-General	Costs (EUR)	Comments	Reference
Market research on DG GROW stakeholders	Other Management expenditure	/	/	/	30 000	Other priorities	
Feasibility/prospective study to assess the ability of ECHA to perform confirmatory studies	IMA	/	/	GROW/D.2, ENV/B.2, SANTE/E.4, BUDG, SG	100 000	Budget restrictions (IMA 2019)	
Extension of the study of mapping and assessment of removal of existing legal and administrative barriers in the services sector	IMA	/	/	/	245 000	Technical difficulties to develop the envisaged IT tool.	
Functioning of the regulated professions database - Descriptive statistics on regulated professions	IMA	/	/	DG SANTE	20 000	/ Technical difficulties to develop the envisaged IT tool.	
Update of the regulated professions database - statistical aspects	IMA	/	/	GROW/ E1	50 000	/ Technical difficulties to develop the envisaged IT tool.	
Study on IPR issues relevant in the pharmaceutical sector	IMA	/	/	GROW F3	20 000	Not relevant anymore	
Study on the contribution of the defence sector to Regional Development through the Structural Funds	COSME	/	/	GROW A.2 JRC B3	200 000	Not relevant anymore /	

Evaluations and other studies finalised or cancelled in 2019

Title	Reason	Overview	Assoc. Service	Costs (EUR)	Notes	Title of the deliverable
REFIT- Fitness Check on chemical legislation (excluding REACH)	O	Fitness check on the most relevant chemicals legislation (excluding REACH)	SG, ENV, EMPL, JUST, MOVE, SANTE	435240,00	REFIT Co-responsibility with DG ENV	SWD(2019)199 - COM/2019/264 final Supporting study (GROW): https://op.europa.eu/en/publication-detail/-/publication/7e26e205-18f9-11e7-808e-01aa75ed71a1/language-en/format-PDF/source-112577930 <u>Other supporting studies by DG ENV</u>
Evaluation of the external IPR help-desks (COSME programme)	MFF	The international IPR SME Helpdesks are financed from COSME and the result of the evaluation will support the mid-term review of the COSME programme and the discussions on the future MFF	SG, TRADE, DEVCO, RTD	119675,00		Annex to COSME Interim evaluation SWD(2019)374 (pag 143) Supporting study https://op.europa.eu/en/publication-detail/-/publication/f6ceff9e-47cd-11ea-b81b-01aa75ed71a1/language-en/format-PDF/source-116322172
REFIT Evaluation of Directive 95/16/EC on Lifts	L	To analyse the functioning of the Lifts Directive and to assess whether it is still fit for purpose	SG, JUST	149980,00	REFIT	SWD(2019)26 final - COM(2019)87 final Supporting study: https://op.europa.eu/en/publication-detail/-/publication/9f1a5907-e539-11e7-9749-01aa75ed71a1/language-en/format-PDF/source-112578241
Evaluation supporting the "review" of the Construction Products Regulation	O	Evaluation of Reg (EU) No 305/2011 laying down harmonised conditions for the marketing of construction products and repealing Council Directive 89/106/EEC	SG, ENV, JUST, RTD, ENER	330950,00	COM/2016 /0860 final	SWD(2019)1770 - COM(2019)800 final Supporting study: https://op.europa.eu/en/publication-detail/-/publication/e0ead9bc-ed3f-11e8-b690-01aa75ed71a1/language-en/format-PDF/source-112578648
WATIFY Communication Campaign (COSME programme)	MFF	The international IPR SME Helpdesks are financed from COSME and the result of the evaluation will support the mid-term review of the COSME programme and the discussions on the future MFF	SG, EASME, COMM	180.000,00		Annex to COSME Evaluation SWD(2019) 374. No separate SWD Supporting Study : https://ec.europa.eu/docsroom/documents/396832

Title	Reason	Overview	Assoc. Service	Costs (EUR)	Notes	Title of the deliverable
Interim evaluation of the Programme for the Competitiveness of Enterprises and Small and Medium-sized enterprises (COSME)	MFF	Evaluation of COSME Regulation (EU) No 1287/2013	SG, BUDG, ENER, ENV, REGIO, RTD, TRADE, EAC	498900,00		SWD(2019) 374 - COM(2019) 468 Supporting study: https://op.europa.eu/en/publication-detail/-/publication/a7255ab4-a9d2-11e9-9d01-01aa75ed71a1/language-en/format-PDF/source-112579900
Evaluation of Regulation (EC) No 648/2004 of the European Parliament and of the Council of 31 March 2004 on detergents	L	To analyse the functioning of the Detergent Regulation and to assess whether it is still fit for purpose	SG, ENV, JUST, JRC, SANTE	186400,00		SWD(2019) 298 Supporting study: https://op.europa.eu/en/publication-detail/-/publication/ad2fa114-e952-11e8-b690-01aa75ed71a1/language-en/format-PDF/source-112579969
Evaluation of the functioning of Regulation (EC) 2679/98 on the functioning of the internal market in relation to the free movement of goods among Member States (the Strawberry Regulation)	O	To analyse the functioning of the Regulation and to assess whether it is still fit for purpose	SG, ENER, MOVE, AGRI, ECFIN	199925,00	Decision by the European Commission (2016)	SWD(2019) 371 final Supporting study: https://op.europa.eu/en/publication-detail/-/publication/0efcaca3-ee2d-11e9-a32c-01aa75ed71a1/language-en/format-PDF/source-112579539

ANNEX 10: Specific annexes related to "Financial Management"

1. Cross-subdelegation granted by DG GROW

2019 - Activities covered by crossed sub-delegations granted by DG GROW Authorising Officer by delegation to other Directors General		
DG	Article/Item	Activity
CNECT	02.030100%	Operation and development of the internal market of goods and services
MOVE	02.050100%	Developing and providing global satellite-based radio navigation infrastructures and services (Galileo) by 2020

2. Cost of control

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

Ex ante controls			Ex post controls			Total**	
EC total costs (in EUR)	funds managed (in EUR)*	Ratio (%)*: <i>Total ex ante control cost in EUR ÷ funds managed in EUR</i>	EC total costs (in EUR)	total value verified and/or audited (in EUR)	Ratio (%): <i>Total ex post control cost in EUR ÷ total value verified and/or audited in EUR</i>	EC total estimated cost of controls (in EUR)	Ratio (%)*: <i>Total cost of controls ÷ funds managed</i>
66.321.815	1.602.896.761	4,14%	320.438	1.615.693.677	0,02%	66.642.253	4,16%
RCS 2 : Financial instruments							
Ex ante controls			Ex post controls			Total**	
EC total cost (in EUR)	funds managed (in EUR)*	Ratio (%)*: <i>Total ex ante control cost in EUR ÷ funds managed in EUR</i>	EC total costs (in EUR)	total value verified and/or audited (in EUR)	Ratio (%): <i>Total ex post control cost in EUR ÷ total value verified and/or audited in EUR</i>	EC total estimated cost of controls (in EUR)	Ratio (%)*: <i>Total cost of controls ÷ funds managed</i>
8.004.904	237.906.017	3,36%				8.004.904	3,36%
RCS 3: Assets							
Ex ante controls			Ex post controls			Total**	
EC total cost (in EUR)	funds managed (in EUR)*	Ratio (%)*: <i>Total ex ante control cost in EUR ÷ funds managed in EUR</i>	EC total costs (in EUR)	total value verified and/or audited (in EUR)	Ratio (%): <i>Total ex post control cost in EUR ÷ total value verified and/or audited in EUR</i>	EC total estimated cost of controls (in EUR)	Ratio (%)*: <i>Total cost of controls ÷ funds managed</i>
RCS 4: Procurement							
Ex ante controls			Ex post controls			Total**	
EC total cost (in EUR)	funds managed (in EUR)*	Ratio (%)*: <i>Total ex ante control cost in EUR ÷ funds managed in EUR</i>	EC total costs (in EUR)	total value verified and/or audited (in EUR)	Ratio (%): <i>Total ex post control cost in EUR ÷ total value verified and/or audited in EUR</i>	EC total estimated cost of controls (in EUR)	Ratio (%)*: <i>Total cost of controls ÷ funds managed</i>
6.116.086	59.622.750	10,26%				6.116.086	10,26%
RCS 5: Grants							
Ex ante controls			Ex post controls			Total**	
EC total cost (in EUR)	funds managed (in EUR)*	Ratio (%)*: <i>Total ex ante control cost in EUR ÷ funds managed in EUR</i>	EC total costs (in EUR)	total value verified and/or audited (in EUR)	Ratio (%): <i>Total ex post control cost in EUR ÷ total value verified and/or audited in EUR</i>	EC total estimated cost of controls (in EUR)	Ratio (%)*: <i>Total cost of controls ÷ funds managed</i>
4.055.065	50.087.795	8,10%	106.813	5.324.245	2,01%	4.161.878	8,31%
OVERALL estimated cost of control at DG GROW							
Ex ante controls			Ex post controls			Total**	
EC total cost (in EUR)	funds managed (in EUR)*	Ratio (%)*: <i>Total ex ante control cost in EUR ÷ funds managed in EUR</i>	EC total costs (in EUR)	total value verified and/or audited (in EUR)	Ratio (%): <i>Total ex post control cost in EUR ÷ total value verified and/or audited in EUR</i>	EC total estimated cost of controls (in EUR)	Ratio (%)*: <i>Total cost of controls ÷ funds managed</i>
84.497.871	1.950.513.322	4,33%	427.250	1.621.017.922	0,03%	84.925.121	4,35%

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

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

ANNEX 12: Performance tables

General objective 1: A New Boost for Jobs, Growth and Investment		
Impact indicator 1: Employment rate population aged 20-64		
Source of the data: Eurostat		
Baseline 2014	Interim Milestone	Target (Europe 2020 Strategy)
69.2%	./.	at least 75%
Latest known value (2018) : 73.2%		
This percentage is up from 71.1% in 2016 and from 72.2% in 2017 marking a steady increase.		
Impact indicator 2: Percentage of EU GDP invested in R&D (combined public and private investment)		
Source of the data: Eurostat		
Baseline 2012	Interim Milestone	Target (Europe 2020 Strategy)
2.01%	./.	3.0%
Latest known value (2018): 2.12% (provisional)		
This percentage is up from 2.03% in 2016 and from 2.07% in 2017 marking a steady increase.		

Specific objective 1.1: To support SME creation and growth		Related to spending programme COSME
Indicator 1: Financing mobilised and number of firms benefiting from debt financing		
Source of data:		
COSME Loan Guarantee Facility (LGF): European Investment Fund quarterly operational report. A quarterly summary update of the main implementation data is available on http://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/cosme-loan-facility-growth/implementation_status.pdf		
Quality of data: Good		
The data are reported back from the intermediary organisations to the European Investment Fund.		
Note: This indicator figures also in the Programme Statement for the Draft Budget		
Baseline 2013	Interim Milestone 2017	Target 2020 (target from the COSME legal base)
As of 31 December 2013, € 16.1 billion in financing mobilised, reaching 312,000 SMEs (SME Guarantee Facility under the former CIP programme 2007-2013)	Financing mobilised from guarantees ranging from € 7 billion to € 10.5 billion; number of firms reached ranging from 108,000 to 161,000 under the current COSME programme	Financing mobilised from guarantees ranging from € 14.3 billion to € 21.5 billion; number of firms reached ranging from 220,000 to 330,000 under the current COSME programme
Latest known results at 30/09/2019: As of 30/09/2019, more than 500,000 SME received almost € 30 billion of financial support since the launch of the programme. Thanks to a reinforcement of COSME Loan Guarantee Facility resources from the SME window of the European Fund for Strategic Investments (doubling the available resources), it was possible to achieve the targets set for the overall programming period (2013-2020) already in the course of 2018. In 2019, the high performance continued to benefit SMEs in need of finance.		
Result indicator 2: Exchanges between new and experienced entrepreneurs and resulting creation of companies		
Source of data: Erasmus for Young Entrepreneurs statistics, the mid-term evaluation of COSME realised in 2017		
Quality of data: Good		
The basic data come from a survey among EYE participants. The resulting data are thus based on estimates. Even though it is not possible to make a claim of 'causality' between EYE and the results, evidence suggests that they are strongly linked / attributed to the programme.		
Note: This indicator is not in the legal base of COSME, but figures in the text part of the Programme Statement for the Draft Budget.		
Baseline 2015	Interim Milestone 2017	Target 2020 (target set at Directorate-General level)
3,600 exchanges over the last	5,500 exchanges by 2017, resulting in the	10,000 exchanges by 2020, resulting in

5 years created around 1,300 jobs	creation of around 1,600 jobs	the creation of around 3,000 jobs						
<p>Latest known results (end 2019): About 8,300 matches have taken place involving over 16,500 entrepreneurs. The entrepreneurs keep their satisfaction with the programme, whereby While 95% host entrepreneurs consider their exchange as being successful, the satisfactory rate of new entrepreneurs reaches 97%.</p>								
<p>Result indicator 3: SME receiving business and innovation support services to increase their competitiveness in the Single Market and beyond via the Enterprise Europe Network (EEN) Source of data: EASME: Enterprise Europe Network Progress Report and intermediary reports Quality of data: Good The data comes from the Network members which have to follow monitoring guidelines. A dedicated unit in EASME monitors the data collection by the members. The revised calculation method follows the Network request to reduce the administrative burden, and asks the Network to report on high-value-added services only. Network partners keep on providing information services to large numbers of SME clients, but no longer need to record them. Note: This indicator figures also in the Programme Statement for the Draft Budget</p>								
<table border="1"> <thead> <tr> <th>Baseline 2011</th> <th>Interim Milestone 2017</th> <th>Target 2020</th> </tr> </thead> <tbody> <tr> <td>435,00 SMEs receiving support services (original calculation method)</td> <td>number of SME receiving support services from the EEN: 475,000 per year (original calculation method)</td> <td>number of SME receiving support services from the EEN: 500,000 per year(original calculation method) 275,000 per year (revised calculation method)</td> </tr> </tbody> </table>	Baseline 2011	Interim Milestone 2017	Target 2020	435,00 SMEs receiving support services (original calculation method)	number of SME receiving support services from the EEN: 475,000 per year (original calculation method)	number of SME receiving support services from the EEN: 500,000 per year(original calculation method) 275,000 per year (revised calculation method)		
Baseline 2011	Interim Milestone 2017	Target 2020						
435,00 SMEs receiving support services (original calculation method)	number of SME receiving support services from the EEN: 475,000 per year (original calculation method)	number of SME receiving support services from the EEN: 500,000 per year(original calculation method) 275,000 per year (revised calculation method)						
<p>Latest known results (end 2019): Numbers for 2019 are not available yet because the final reports are still to be received and processed, however about 225.000 SMEs received support in 2018 and are expected to be in the same range for 2019. The result is lower than the originally target value because of a new method for calculating this indicator (and not because of lower service level from the Network). Upon their request to reduce the administrative burden, the Network has been asked to report on high-value-added services only. Network partners keep on providing information services to large numbers of SME clients, but no longer need to record them.</p>								
<p>Result indicator 4: Patent applications in the different enabling and industrial technologies for Space Projects Sources of data: Internal monitoring of the Cooperation projects under the Space research objective of Horizon 2020, plus additional information from project partners on patent applications Quality of data: Limited While the budget allocated can be traced from the project database, the information from project partners on patent applications may not cover all applications, as patents could be applied after the end of the EU-funded project. Note: This indicator figures also in the Programme Statement for the Draft Budget</p>								
<table border="1"> <thead> <tr> <th>Baseline</th> <th>Interim Milestone 2015</th> <th>Target 2020 (target from the H2020 legal base)</th> </tr> </thead> <tbody> <tr> <td>This indicator is a new approach, therefore no baseline</td> <td>40% of the budget is allocated to activities potentially generating patents</td> <td>3 patent applications per EUR 10 million funding</td> </tr> </tbody> </table>	Baseline	Interim Milestone 2015	Target 2020 (target from the H2020 legal base)	This indicator is a new approach, therefore no baseline	40% of the budget is allocated to activities potentially generating patents	3 patent applications per EUR 10 million funding		
Baseline	Interim Milestone 2015	Target 2020 (target from the H2020 legal base)						
This indicator is a new approach, therefore no baseline	40% of the budget is allocated to activities potentially generating patents	3 patent applications per EUR 10 million funding						
<p>Latest known results: 15 patent applications from space research projects were introduced, which equals 0.2 patents per EUR 10 million spent. As there is a time lag between the end of a project and the application for a patent, the 2020 target of 3 applications per EUR 10 million spent may still be achieved.</p>								
<p>Specific objective 1.2: To achieve full capacity for Galileo and Copernicus</p>		<p>Related to spending programmes Galileo and Copernicus</p>						
<p>Indicator 1: Galileo infrastructure: Cumulative number of operational satellites Source of data: European Global Navigation Satellites Systems Agency (GNSS Agency); European GNSS Service Centre https://www.gsc-europa.eu/system-status/Constellation-Information Quality of data: Good The GNSS Service Centre provides online information status information on declarations of new Galileo services based on the signals received from the satellites by the Galileo ground stations. Note: This indicator figures also in the Programme Statement for the Draft Budget</p>								
<table border="1"> <thead> <tr> <th>Baseline 2013</th> <th>Interim Milestone 2015</th> <th>Target 2020 (target from the Galileo legal base)</th> </tr> </thead> <tbody> <tr> <td>4</td> <td>12</td> <td>30</td> </tr> </tbody> </table>	Baseline 2013	Interim Milestone 2015	Target 2020 (target from the Galileo legal base)	4	12	30		
Baseline 2013	Interim Milestone 2015	Target 2020 (target from the Galileo legal base)						
4	12	30						

Latest known results: The fully deployed Galileo system will consist of 24 operational satellites plus six in-orbit spares. At the end of 2019, there are 26 Galileo satellites in orbit and all of them are providing services. 22 of them are fully operational for navigation services. By the end of 2020, it is expected that 2 additional satellites of the Batch#3 will be launched, reaching a total count of 28 satellites in-orbit. The deployment of the constellation will not reach 30 satellites by the end of 2020 as initially anticipated. This is due to the signature date of the Batch#3 contract in June 2017. It took place a few months later than anticipated, in order to properly assess all implications on the programme of the decision and award of the contract. The 30 satellites in-orbit target (including the two satellites on the elliptical orbit) will be reached by mid-2021.

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

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

Further declarations will be issued here:

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

Quality of data: Good

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

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

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

Latest known results: Galileo initial services were declared operational on 15 December 2016. These include the Galileo Initial Open Service, the Galileo Initial Public Regulated Service, the Galileo Initial Search and Rescue Service. By the end of 2021, the High Accuracy Service with 20cm positioning accuracy should be provided in Europe. The Mission Requirements for Galileo Open Service for Safety of Life applications should be agreed in 2020. The delay for the implementation of the additional Galileo Service (HAS and CAS) is directly linked to the delays in the achievement of a system configuration for Galileo FOC (System Build 2.0) and 30 satellites deployed.

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

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

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

Quality of data: Good

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

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

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

Baseline 2014	Interim Milestone 2015	Target 2020 (target from the Copernicus legal base)
1	2 Services already operational in 2015 are Emergency Mapping, Early Warning System of Floods, Pan-EU land service, EU local Land service, Global land service, and provision of access to reference data access = 6 components responding to Copernicus Regulation Art 5(1e) and Art 5(1c).	8 Services on Global Hot spots, Border Surveillance, Maritime Surveillance, External Action Service, Early Warning System Forest fires will be added = 5 components operational (2016). Marine Environment, and Atmosphere service to be fully operational (2017). Climate change service to be operational (2019).

Latest known results (end 2019): Following the successful launch of 1 further satellite in 2018, 7 Copernicus Sentinels deliver data to more than 300,000 registered users (up from 200 000 in 2018), while the six services are all operational (including Climate Change that was planned for 2019). More than 12 million data products are published and the users download has reached a volume of more than 200 PetaBytes (up from 112 in 2018).

Priority - A Connected Digital Single Market

General objective 2: A Connected Digital Single Market		
Impact indicator: Aggregate score in Digital Economy and Society Index (DESI) EU-28 Explanation: DESI is a composite index that summarises relevant indicators on Europe's digital performance and tracks the evolution of EU Member States in digital competitiveness. The closer the value is to 1, the better. The DESI index is calculated as the weighted average of the five main DESI dimensions: 1 Connectivity (25%), 2 Human Capital (25%), 3 Use of Internet (15%), 4 Integration of Digital Technology (20%) and 5 Digital Public Services (15%). The DESI index is updated once a year. Source of the data: DESI		
Baseline DESI 2015	Interim Milestone	Target 2020
41.8	./.	Increase
Latest known value: DESI-2019: 52.5		
Specific objective 2.1 : To increase the total international parcel flow		
Result indicator: Share of outbound parcels in the total CEP (courier, express and parcel) market to EU and non EU destinations Source of data: Data collected from national postal operators Quality of data: Limited A combined figure for inbound and outbound cannot be used as it would overstate the proportion of cross-border parcels due to double counting (e.g. a BE to FR parcel would count twice as outbound in BE and inbound in FR). Using outbound rather than inbound excludes distortions from inbound Asian e-commerce and the focus of the indicator should be the EU. Even though outbound does include parcels being sent to non-EU destinations, to the extent that these parcels are being sent by EU retailers, growth is still positive. The quality of the indicator is limited as Member States do not always report the data in time. The 2017 data is based on 27 countries (SE excepted)The number of countries for which data is available has improved compared to 2016.		
Baseline 2014	Interim Milestone 2017	Target 2020
8.5% ²⁶	9,7% Annual increase	10.5% Annual increase
Latest known results (2018): 10.2%		

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

General objective 4: A Deeper and Fairer Internal Market with a Strengthened Industrial Base		
Impact indicator 1: Gross value added of EU industry in GDP Source of the data: Calculation based on EUROSTAT data		
Baseline 2014	Interim Milestone	Target 2020 (the target is confirmed in the Mission Letter to Commissioner Bieńkowska)
17.0%	Annual increase	20%
Latest known value (2018): 17.1% The value went down slightly from 17.4% in 2016.		
Impact indicator 2: Intra-EU trade in goods (% of GDP) Source of the data: Eurostat		

²⁶ The original baseline of 7.6 % was changed to 8.5% as better data with a wider coverage became available.

Baseline 2014	Interim Milestone	Target 2020
20.3%	./.	Increase

Latest known value (2018): 21.7%
The value increased from 20.3% in 2015.

Impact indicator 3: Intra-EU trade in services (% of GDP)

Source of the data: Eurostat

Baseline 2014	Interim Milestone	Target 2020
6.4%	./.	Increase

Latest known value (2018): 7.4%
The value went up from 6.6% in 2015

Specific objective 4.1: To reduce regulatory restrictions in services and goods

Result indicator: Degree of regulatory restrictiveness in business services

Source of data: GROW Business services – Assessment of Barriers and their Economic Impact

http://ec.europa.eu/growth/single-market/services/economic-analysis/index_en.htm

Quality of Data: Limited

The assessment only focusses on four key business services sectors: accountants, architects, engineers and lawyers. The assessment of restrictiveness is based on the analysis of the following seven regulatory barriers: reserved activities, authorisation requirements, compulsory chamber membership requirements, restrictions on corporate form, shareholding structures & multidisciplinary activities, insurance requirements, tariff restrictions, and restrictions on advertising. The assessment also includes the analysis of non-regulatory barriers, namely the provision of information on legal requirements and the completion of procedures online through the Points of Single Contact (one common assessment covering the four business services sectors assessed). The figure below shows the overall results of the assessment on restrictiveness, taking into account the results of the 8 barriers assessed cumulatively. High (low) scores indicate higher (lower) restrictiveness.

Baseline 2014	Interim Milestone 2017	Target 2020 (linked to the Single Market Strategy)
<p>The chart displays restrictiveness scores for 28 EU countries. The legend indicates: Accountants (blue), Architects (red), Engineers (green), and Lawyers (purple). The x-axis ranges from 0 to 6. LU is the highest at ~3.5, followed by AT (~3.2), MT (~3.1), DE (~3.0), IT (~2.9), CY (~2.8), PT (~2.7), EL (~2.6), HR (~2.5), BE (~2.4), CZ (~2.3), HU (~2.2), RO (~2.1), PL (~2.0), SI (~1.9), FR (~1.8), ES (~1.7), SK (~1.6), BG (~1.5), LV (~1.4), LT (~1.3), EE (~1.2), IE (~1.1), DK (~1.0), NL (~0.9), FI (~0.8), UK (~0.7), and SE (~0.6).</p>	Reduce restrictiveness of national services regulation by 10%	Reduce restrictiveness of national services regulation by 20%

Latest known results (2014): No update has been done since the 2015 study on the “Assessment of Barriers and their Economic Impact”. Therefore, the latest known value is the 2014 baseline.

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

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

Source of data: NIF Database

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

Quality of data: Good

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

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

Latest known results: 16.3 months (1 December 2019) up from 15.5 months in December 2018

GROW achieved the 2017 target of 18 months in 2018 and managed to stay under this threshold in 2019. Nevertheless, the very considerable decrease in the average duration of infringement procedures in 2018/2019 is mainly due to the high number of new procedures initiated (147 for the period 1.12.2018-1.12.2019 and 104 for the period 1.12.2017-1.12.2018, compared to 35 for the period 1.12.2016-1.12.2017).

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

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

Source of data: TRIS and TBT databases

Quality of data: Good

- TRIS: Member States notify their legislative projects regarding technical regulations for products and information society services to the Commission and to the other Member States, which assess these projects in the light of EU legislation.

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

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

Latest known results (end 2019): 1,827,174 and 25,363 views of respectively TRIS and TBT databases in 2019.

Priority - A Stronger Global Actor

General objective 5: A Stronger Global Actor²⁷

Specific objective 5.1: To achieve closer co-operation in European defence

Result indicator: Percentage of collaborative defence equipment procurement expenditure as share of total defence equipment procurement

Explanation: The percentage is measured as a share of the total defence equipment procurement by the Member States

Source of data: European Defence Agency

<https://www.eda.europa.eu/info-hub/defence-data-portal>

Quality of data: Limited

All figures are partial as several Member States could not provide the data.

Baseline 2010	Interim Milestones		Target 2027 (after the first phase of the future EU research programme + 15 full years after transposition of the Defence Procurement Directive)
	2016	2018	
22.4%	20%	17.8%	Gradual increase leading to over 25%

Latest known results (end 2019): 17.8% (EDA defence data published 19 December 2019). Even though MS committed themselves to spend 35% of their total equipment procurement spending in cooperation with other EU states, they procured the large majority of equipment on a national basis. In 2018, only 17.8% of EDA MS' equipment procurements were conducted in a European framework.

²⁷ The impact indicators available for this general objective are not relevant for the defence-related policies of DG GROW. As the enhanced co-operation among Member States is at the core of the European Defence Action Plan, progress will be measured by the result indicator on collaborative defence equipment procurement.