



Annual Activity Report 2021

Directorate-General Internal Market, Industry,
Entrepreneurship and SMEs

(DG GROW)

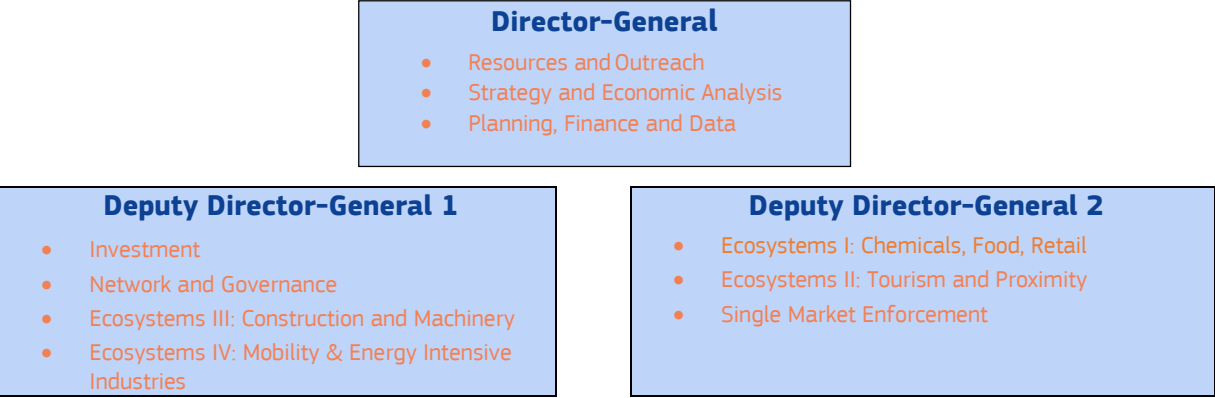
Table of Contents

- THE DG IN BRIEF.....3
- EXECUTIVE SUMMARY4
 - A. Key results and progress towards the achievement of the Commission’s general objectives and DG’s specific objectives (executive summary of section 1).....4
 - B. Key Performance Indicators (KPIs).....8
 - C. Key conclusions on Financial management and Internal control (executive summary of section 2.1).....9
 - D. Provision of information to the Commissioner9
- 1. KEY RESULTS and progress towards achieving the Commission’s general objectives and DG’s specific objectives.....10
- 2. MODERN AND EFFICIENT ADMINISTRATION AND INTERNAL CONTROL.....34
 - 2.1. Financial management and internal control.....34
 - 2.1.1. Control results35
 - 2.1.2. Audit observations and recommendations.....46
 - 2.1.3. Assessment of the effectiveness of internal control systems.....48
 - 2.1.4. Conclusions on the assurance.....49
 - 2.1.5. Declaration of Assurance51
 - 2.2. Modern and efficient administration – other aspects52
 - 2.2.1. Human resource management.....52
 - 2.2.2. Digital transformation and information management53
 - 2.2.3. Sound environmental management55
 - 2.2.4. Examples of economy and efficiency55

THE DG IN BRIEF

Mission Statement
DG GROW works to create opportunities for all – European businesses & citizens

At the end of 2021, DG GROW was assigned 640 establishment posts and 102 external staff organised in 9 directorates and 36 units. Directorates reported as follows:



DG GROW develops and carries out the Commission's policies on business and industry by fostering entrepreneurship and growth and helping turn the EU into a smart, sustainable and inclusive economy. It is also responsible for completing the internal market for goods and services. DG GROW manages 123 major pieces of the EU Single Market legislation representing ca. 75% of the total acquis.

Following the start of the new Multiannual Financial Framework (MFF) in 2021, DG GROW is in charge of a total budget of around 3,1 billion over the 2021-2027 MFF. The most important programmes DG GROW is implementing are Single Market Programme (SMP) for around 1,5 billion EUR and Horizon Europe for around 1,1 billion EUR over the new MFF.

In the Single Market Programme, DG GROW takes care of the coordination at programme level. The DG is also responsible for the SME pillar, the European Standardisation, the reinforcement of the Internal Market, the Market Surveillance and the governance tools activities. The implementation of the Single Market Programme is partially delegated to EISMEA (as well as some legacy programmes such as COSME).

For Horizon Europe, DG GROW is co-chair DG of Cluster 4 (Digital, Industry and Space). GROW is leading the implementation of the raw materials activities – for which the implementation is largely delegated to HADEA. On top of this, GROW remains the parent DG of two decentralised agencies, ECHA, to which a subsidy is transferred every year, and EUIPO, a fully fee-financed agency.

However, the previous MFF is still representing a large part of DG GROW activities on the payments side, as ongoing projects are still not finalised, in particular as regards the COSME Financial Instruments.

2021 was the year of a major re-organisation and re-engineering of DG GROW's working methods in order to reflect the ecosystems approach, be more effective in designing the right recovery and resilience actions and achieving the policy priorities of the Commission towards the green and digital transition.

EXECUTIVE SUMMARY

This Annual Activity Report is a management report of the Director-General of DG GROW to the College of Commissioners. Annual Activity Reports are the main instrument of management accountability within the Commission and constitute the basis on which the College takes political responsibility for the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the Treaties ⁽¹⁾.

A. Key results and progress towards the achievement of the Commission's general objectives and DG's specific objectives (executive summary of section 1)

DG GROW's key deliverables in 2021 contributed mainly to achieving two of the headline ambitions of the Commission, A Europe fit for the Digital Age and A European Green Deal.

COVID-19 clearly remained a pressing challenge for 2021 but Europe lived up to this challenge. The continued response to the pandemic and the work on the recovery continued to shape DG GROW policies.

A Europe fit for the Digital Age

Europe is on the way to a digital and green transition in order to stay globally competitive. In 2021, DG GROW continued to deliver on Europe's digital decade by further strengthening a digital single market, developing industrial transition pathways for ecosystems, building resilience and supporting Europe's open strategic autonomy in key areas such as semi-conductors and critical raw materials.

Specific objective 1: European enterprises make the digital and green transition

The updated Industrial Strategy, adopted in May 2021, took full account of the new circumstances following the COVID-19 crisis and focused on strengthening Single Market resilience, analysing Europe's strategic dependencies and accelerating the green and digital transitions. Against this background the first Annual Single Market Report looked into economic developments and challenges faced in the Single Market, also at the level of main industrial segments (e.g. tourism, energy intensive industries, etc.). Moreover DG GROW kicked-off in 2021 the co-creation of transition pathways in order to accompany industry in their transition to green, digital and resilience future.

2021 has also been the year in which Europe grew aware of its assets. An initial analysis of the EU's strategic dependencies and capacities was carried out. To tackle EU's strategic dependencies, DG GROW worked towards diversifying international supply chains and pursuing international partnerships while continued supporting new industrial alliances with

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

the launch of two new industrial alliances, on processors and semiconductor technologies and on industrial data, edge and cloud.

In February 2021 the Commission launched the Task Force for Industrial Scale-up of COVID-19 vaccines. Visiting factories on the ground, measuring production capacities and output, addressing cross-border bottlenecks proved to be a new, hands-on way of working. Europe rose to the scientific and industrial challenge of vaccine production. Europe is now producing 300 million doses of vaccine per month and is the world's leading producer of messenger RNA vaccines.

The acute supply shortages experienced during the crisis exacerbated underlying, structural dependencies regarding products, services and technologies. To address these, preparatory work started in 2021 on a Single Market Emergency Instrument that will aim to ensure security of supply during a crisis.

DG GROW reconciled the protection of public health with the free movement of citizens, facilitating a reboot of the tourism season and a rebound of economic activity. In 2021, the Commission implemented the IP Action Plan of 2020, addressing the gaps that still exist in the way EU businesses protect intangible capital. In September 2021, the Commission took an important step against e-waste and consumer inconvenience by adopting a common charging solution for all relevant devices while increased the level of cybersecurity with the adoption of a delegated act of the radio equipment directive.

Specific objective 2: More European SMEs have access to cross-border business

Next to supply chain disruptions, liquidity remained a major concern of SMEs during the Covid crisis. Following the launch of the specific COVID-19 support under the COSME Loan Guarantee Facility, which is supported by the European Fund for Strategic Investments, more than 100 000 European SMEs affected by the Covid-19 pandemic accessed more than EUR 9 billion of liquidity finance. At the same time, ESCALAR provided up to EUR 300 million to increase the investment capacity of venture capital and growth financing funds, enabling companies to scale up and reinforce Europe's technological sovereignty. SMEs could also benefit from SURE, a EUR 100 billion instrument helping workers to keep their income and businesses to stay afloat during COVID-19 pandemic.

The Enterprise Europe Network (EEN) continued to give dedicated support to SMEs across Europe to respond to the crisis. Beyond Europe, two international matchmaking events have been organised by the European Cluster Collaboration Platform (ECCP) to facilitate business partnerships with South Mediterranean countries and Singapore. In addition, the internationalisation of new entrepreneurs was reinforced with the geographical extension of the Erasmus for Young Entrepreneurs programme to three new third countries – Canada, South Korea and Taiwan.

The SME strategy remains the compass for SME support in the recovery phase. Key activities in 2021 included access to finance, better regulation, supporting actions for the twin transition of sustainability and digitalisation, helping SMEs protect their intellectual property and enforcing the Late Payment Directive.

Specific objective 3: More business opportunities are generated by trading in the Single Market

Openness to trade and investment is essential to Europe's prosperity and competitiveness but it must go hand in hand with fairness and predictable rules. In May 2021, Commission adopted a proposal for a Regulation on foreign subsidies distorting the internal market. DG GROW's contribution has been instrumental in this respect.

The Single Market Programme Regulation was adopted in April 2021, the first Work Programme was adopted in May 2021 and its implementation is ongoing.

Transcending the Single Market, DG GROW helped generate further opportunities on international markets through advocating Europe's business case in trade agreements with third countries. The DG also worked towards improving the resilience of international value-chains for the benefit of European industries by contributing to the creation of policy frameworks such as the Indo-pacific strategy and the Global Gateways Communication.

Specific objective 4: Promote compliance with EU Single Market rules and enforce them

Addressing restrictions and enforcing EU rules was the main focus of the Single Market Enforcement Task Force in 2021. Its first report was published in September.

Enforcement actions continued in 2021 both in the area of services and goods. Particular attention was given to the emergence of obstacles related to national bans or restrictions to the export of categories of goods to other Member States, as a reaction to shortages or increased prices of products or raw materials. Robust enforcement actions were also pursued in public procurement as regards several Member States to ensure correct transposition of the 2014 directives. Finally, the COVID crisis highlighted the strategic importance of the Single Market Transparency Directive (SMTD), as an entry point for urgent national measures with an impact on the free movement of medical equipment, medicinal products and medical information society services.

A European Green Deal²

The European Green Deal aims at fostering the transition to a climate-neutral, resource-efficient and competitive economy and the move towards zero-pollution in Europe. It also sets a goal to better protect health and the environment by tackling pollution from all sources and moving towards a toxic-free environment. DG GROW's contribution has been instrumental towards both objectives.

Fostering the transition to a climate-neutral, resource-efficient and competitive economy

In 2021 DG GROW worked intensely with DGs ENER and ENV for the preparation of the Sustainable Products Initiative that aims to reduce waste by making products fit for a climate neutral, resource efficient and circular economy. Work also started on strengthening

² Specific objective 1: Increase the share of material recovered, recycled and fed back into the economy

the sustainable textiles industry in close cooperation with DG ENV. In parallel, DG GROW supported the development of decontamination technologies and intensified the monitoring of national measures to accelerate the transition to a circular economy as part of the European Semester.

To decrease strategic dependencies on raw materials for green technologies and increase domestic production and diversify supply GROW established two raw materials partnerships with Canada and Ukraine while the Circular Plastics Alliance delivered on the quantification of the untapped potential in collection, sorting and recycling of plastic waste and related investment needs to reach the target of 10 million tonnes recycled plastics used by 2025.

Aiming at a greater energy and material efficiency GROW worked towards introducing environmental and circularity requirements for construction products in the revision of the Construction Products Regulation that will be adopted in 2022. Last, the initiative '100 Affordable Housing renovation districts' was launched in 2021, focusing on smart and energy-efficient affordable housing.

Better protecting health and the environment by tackling pollution from all sources and moving towards a toxic-free environment.

In line with the Chemicals strategy for sustainability that aims at a toxic-free environment where chemicals are produced and used in line with the green and digital transition, DG GROW and DG ENV continued implementing the REACH Regulation, helping protect health and the environment and safeguard the competitiveness of EU companies. Significant preparatory steps have also been taken by DG GROW in 2021 for revising a number of initiatives such as the Toys Safety Directive, the Cosmetics Regulation and the Detergents Regulation, all aiming at restricting toxic substances, improving safety and increasing consumer protection.

Moving towards zero-pollution, DG GROW prepared more stringent yet realistic air pollutant emission standards for combustion-engine vehicles ('Euro 7') in 2021 which will be followed by a legislative proposal in 2022.

The bioeconomy will be a cornerstone for the green transition of the chemicals industry. DG GROW supported the development of the EU Code of Conduct on Responsible Food Business and Marketing Practices by the industry and stakeholder that was launched in July 2021. A new Circular Biobased Europe Joint Undertaking was also established in 2021 to fund projects advancing competitive circular bio-based industries in Europe.

Finally, DG GROW together with DG JUST continued the work to empower industry and business players, including SMEs, towards a socially responsible and sustainable business conduct.

B. Key Performance Indicators (KPIs)

The KPIs were chosen from the result indicators in the DG GROW Strategic Plan 2020-2024 as the most relevant to illustrate the performance of the DG.

Specific objective 1: More European SMEs have access to cross-border business			Related to spending programme(s): Yes
Result indicator: % of SMEs selling cross-border online			
Explanation: This indicator combines the use of digital technology and the access to international markets by SMEs. It measures progress for SMEs on two central policies: internationalisation and digitalization.			
Source of data: Annual DESI reports, European Commission based on Eurostat data desi_4b3_sellcb			
Baseline (2019)	Interim milestone (2022)	Target (2024)	Latest known result (2021)
8.38%	Increase	Increase	9%
Specific objective 2: Promote compliance with EU Single Market rules and enforce them			Related to spending programme(s): No
Result indicator: Average duration of infringement procedures under GROW responsibility			
Explanation: The average duration refers to pending infringement cases not yet sent to the Court (pre-litigation stage) as of 1 December of a given year. It is calculated in months as from the sending of the letter of formal notice. UK cases are no longer taken into account in the calculation.			
Source of data: DG GROW + THEMIS/Infringements database.			
Baseline 1/12/2019	Interim milestone 1/12/2022	Target 1/12/2024	Latest known result 1/12/2021
18.2 months	Max24 months*	Max 18 months	36.6 months
The milestone is longer than the baseline as it takes into account the impact of the COVID-19 crisis on the handling of infringements and the transfer of a number of non-communication cases with short duration from DG GROW to DG DEFIS and DG HOME in 2020.			
Specific objective 3: Increase the share of material recovered, recycled and fed back into the economy			Related to spending programme(s): No
Result indicator: Share of circular materials			
Explanation: The indicator measures the share of material recovered and fed back into the economy - thus saving extraction of primary raw materials - in overall material use. The circular material use rate is defined as the ratio of the circular use of materials to the overall material use.			
Source of data: Eurostat online data code: Circular material use rate SDG 12 41			
Baseline (2017)	Interim milestone (2022)	Target (2024)	Latest known result (2020)
11.5%	Increase	Increase	12.8%
Specific objective 4: The authorising officer by delegation has reasonable assurance that resources have been used in accordance with the principles of sound financial management and that cost-effective controls are in place which give the necessary guarantees concerning the legality and regularity of underlying transactions.			
Output	Indicator	Target	Latest know result
Effective controls:	• Risk at payment	• remains < 2 % of	• the error rate remains < 2

Legal and regular transactions	<ul style="list-style-type: none"> Estimated risk at closure 	<ul style="list-style-type: none"> relevant expenditure remains < 2 % of relevant expenditure 	% of relevant expenditure
Effective Ex ante controls – financial verification	<ul style="list-style-type: none"> Maximum 4 days to perform the financial ex ante verification 	<ul style="list-style-type: none"> All transactions for which ex ante verification is done 	<ul style="list-style-type: none"> the ex ante verification is performed within maximum 4 days
Efficient controls – Legal time to execute the payment	<ul style="list-style-type: none"> Time to pay 	<ul style="list-style-type: none"> % paid with delay - less than 1% of payments done 	<ul style="list-style-type: none"> less than 1% of payments is executed after the legal deadline
Efficient controls – Target date to register invoices within 7 calendar days	<ul style="list-style-type: none"> Time-to-register 	<ul style="list-style-type: none"> % outside the 7 calendar days less than 1% 	<ul style="list-style-type: none"> less than 1% of the invoices are registered after the 7 calendar days

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

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

In line with the Commission’s Internal Control Framework DG GROW has assessed its internal control system during the reporting year and concluded that it is effective and the components and principles are present and functioning as intended. Please refer to AAR section 2.1.3 for further details.

In addition, DG GROW has systematically examined the available control results and indicators, including those for supervising entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by the Internal Audit Service and the European Court of Auditors. These elements have been assessed to determine their impact on management’s assurance about the achievement of the control objectives. Please refer to Section 2.1 for further details.

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

D. Provision of information to the Commissioner

In the context of the regular meetings during the year between the DG and the Commissioner on management matters, the main elements of this report and assurance declaration, have been brought to the attention of Commissioner Breton, responsible for DG GROW.

1. KEY RESULTS and progress towards achieving the Commission's general objectives and DG's specific objectives



General objective 1 - A Europe fit for the digital age

Specific objective 1: European enterprises make the digital and green transition

The COVID-19 crisis has given increasing momentum to deliver on the green and digital transformation and to build on the recovery as an opportunity to accelerate our efforts to enhance the EU's open strategic autonomy and drive the transformation to a more sustainable, digital, resilient and globally competitive economy.

The next 10 years will be Europe's Digital Decade. We will invest 20% of the recovery plan to strengthen our digital sovereignty.

Commissioner Thierry Breton

New initiatives

Commission Work Programme 2021- updating the Industrial Strategy – greener, more digital and resilient

In May 2021, the Commission updated the New Industrial Strategy and laid out the main policy priorities under three main strands, i.e. strengthening Single Market resilience, dealing with Europe's strategic dependencies and accelerating the green and digital transitions. The Industrial Forum supported the Commission in implementing the industrial strategy, assessing the needs of industrial ecosystems and identifying the right toolbox. A first analysis on Europe's strategic dependencies and capacities also took place. The fourth edition of the EU Industry Days was organised by DG GROW in February 2021. The four days on-line event gathered 6 500 participants and allowed for around 4 500 networking activities. Around 150 events took place all over Europe and beyond under the EU Industry Week brand.

A new way of looking at the economy: industrial ecosystems

The Annual Single Market Report, in 2021, analysed the economic performance of the Single Market through the ecosystem approach by assessing the economic performance at the micro level but also zooming out to compile a “health bulletin” and identify how the role played by each actor affects the overall performance of the whole ecosystem. This allowed to look at the synergies across the Single Market and help identify weaknesses. In the context of the recovery, it also meant looking at all players and their needs, regardless of their location.



Charting transition pathways

Businesses of all sizes need to make the transition to a green, digital and resilient European economy. To help them do so, the Commission, with partners from Member State governments, business associations and civil society, is co-creating 'transition pathways' setting out the steps to be taken towards this direction. In 2021, the Commission launched the process for tourism, energy intensive industries, construction and proximity and social economy.



Supporting reform, resilience and recovery - the European Semester

- **Addressing dependencies and building up economic resilience**

The COVID-19 pandemic highlighted that while the EU gains resilience from world markets being open and integrated in global value chains, may as well suffer from disruptions on essential products and inputs, particularly critical for society and the EU economy. In 2021, DG GROW carried out an initial analysis of the EU's strategic dependencies and capacities by screening data on more than 5000 imports of products and studying the value chain in specific areas (raw materials, active pharmaceutical ingredients, batteries, renewable energy, semi-conductors, cloud and edge technologies). It also launched a second round of reviews of potential dependencies in key areas. In addition, DG GROW worked towards diversifying international supply chains and pursuing international partnerships with Canada and Ukraine for the supply of critical raw materials and with the US Trade and Technology Council (TTC) to work on secure supply chains, focusing on critical raw materials, pharmaceuticals and solar energy value chains as well as on semiconductors.

DG GROW also took stock of the industrial alliances on batteries, clean hydrogen and raw materials, facilitating the identification of investment needs and future joint projects and contributed to the launch of two new industrial alliances, on processors and semiconductor technologies and on industrial data, edge and cloud. Last, in 2021, DG GROW carried out preparatory work on the Single Market Emergency Instrument, to strengthen the resilience of the Single Market and prepare it for the next crisis. The Instrument will be adopted in 2022.

- **The Task Force for industrial scale-up of COVID-19 vaccines and therapeutics (TFIS)**

Since its establishment in February 2021, DG GROW's Taskforce for the industrial scale-up of COVID-19 vaccines and therapeutics, (TFIS), resolved supply chain bottlenecks for the production of vaccines, inspected production sites, brought together industrial partners, fostered global supply chain collaboration and built a strong industrial foundation to the EU's pandemic preparedness with the setup of HERA in September 2021. The EU is now the biggest COVID-19 vaccine producer and donor in the world, with over 2,6 billion doses produced in 2021.

- **Responding to COVID 19**

With the support of the European Cluster Alliance (ECA), the Council of European BioRegions (CEBR) and the European Cluster Collaboration Platform, the TFIS organised three Covid-19 seminars followed by 2-day matchmaking events, giving the opportunity for almost 1000 companies, clinical research organisations, treatment developers, funding providers and manufacturing suppliers and organisations to be informed on Covid-19 EU policy and European Medicine Agency proceedings and link with each other to address supply chain shortages. In this aspect, the good collaboration with EISMEA from the contract implementation perspective was crucial. The organisation of matchmaking events dedicated to scaling up the development and production of COVID-19 vaccines and therapeutics together with the European Cluster Collaboration Platform was a clear success story.

DG GROW also contributed to the Health Union and the Pharmaceutical Strategy for Europe by launching a structured dialogue with all actors in the pharmaceuticals manufacturing value chain, aiming at a better, evidence-based, understanding of the functioning of global pharmaceutical supply chains. This first phase will inform the formulation of policy options and measures to ensure the security of supply and the availability of critical medicines, active pharmaceutical ingredients and raw materials.

- **European semester**

DG GROW is one of the core DGs of the European Semester making significant contributions to the coordination of microeconomic policies in the EU. Following the preparation and adoption of a large majority of the Recovery and Resilience Plans of the Member States, DG GROW continued playing a central role to buttress three out of the six pillars of the Facility. This includes the green transition, digital transformation, smart, sustainable and inclusive growth, including productivity, competitiveness, innovation, and a well-functioning Single Market with strong SMEs among others. In 2021, work focused on contributions to the preparation and assessments of the Recovery and Resilience Plans (RRPs) as well as monitoring of the implementation of investments and reforms by Member States in the RRP.

Supporting the digital transition of SMEs

In the retail ecosystem the SMEs dimension is a major feature, maintaining lively urban and rural local communities. However, in their vast majority SMEs find it difficult to adapt to the digital era. Since 2019, DG GROW has been organising workshops to encourage an exchange of experiences, solutions and success stories. On 7 December 2021, in cooperation with the Slovenian Presidency of the EU, DG GROW organised a workshop to discuss the digitalisation of retail SMEs with a focus on rural areas.

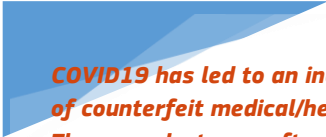
Upskilling and reskilling of people to support the digitalisation

Retail is rapidly transforming because of technological progress and changes in consumer shopping habits. Upskilling and reskilling workers is a particular challenge for retail SMEs. On 10 November 2020, the Commission launched the Pact for Skills. Under this context, GROW supported the launch of large-scale partnerships in a number of industrial

ecosystems, including retail, to help stakeholders plan the skills needs for the future and translate their engagement into concrete commitments.

Improving the EU intellectual property (IP) framework

In 2021, the Commission implemented the IP Action Plan of 2020, addressing the gaps that still exist in the way EU businesses protect intangible capital. In particular, DG GROW



COVID19 has led to an increased number of counterfeit medical/health products. These products are often unsafe and always undermine legitimate businesses.

Kerstin Jorna, Director-General DG GROW

- supported³ a rapid roll out of the unitary patent system (i.e. a legal title that will provide uniform protection across all participating countries on a one-stop-shop basis), and a new Unified Patent Court enabling the centralised litigation of [unitary and non-unitary] European patents for the participating MSs;
- started the preparation of a legislative proposal for early 2023 to optimise the Supplementary Protection Certificates framework (i.e. an IP right that extends the duration of a patent) to make it more transparent and efficient (a related Call for Evidence was published in March 2022, and an Impact Assessment is being prepared);
- prepared an impact assessment and legal draft revisions of the Design Directive and Community Design Regulation with the aim to modernise and further harmonise EU legislation on industrial designs. The impact assessment was given the green light by the Regulatory Scrutiny Board on 26 November 2021 and the legislative initiatives are expected to be presented in the second quarter of 2022;
- prepared a legislative proposal for Q2 2022, including an impact assessment, to create an EU-wide geographical indication protection system for craft and industrial (previously called ‘non-agricultural’) products;
- promoted the use of IP by SMEs;
- monitored the availability of critical IP in times of crisis;
- improved the transparency in Standard Essential Patents licensing (patents that are unavoidable for implementing a standardised technology) by facilitating stakeholder dialogues combined with preparations of possible regulatory reforms. Such a potential reform was announced on the EU’s [Have Your Say Portal](#), which invites stakeholders to provide further input, which will be taken into consideration in the Impact assessment that is currently being prepared.

The related European Court of Auditors (ECA) performance audit “Protection of Intellectual Property Rights in the Single Market” recommendations also contributed to this process, particularly in relation to legislative, monitoring and evaluation work.

³ Through interactions with the participating Member States, resulting in the ratification by Slovenia of Unified Patent Court Agreement (UPCA) in September 2021, and in the ratification by Austria of the Protocol on the Provisional Application of the UPCA in January 2022, that triggered the period of provisional application of the UPCA, which will ultimately lead to the operational launch of the unitary patent system once the remaining preparations are completed

DG GROW also works closely with the decentralised Agency EUIPO who offers IP rights protection to businesses and innovators across the European Union (EU) and beyond.

Making production and processes fit for the Digital Age

Adapting liability rules to the digital age and Artificial Intelligence

The Product Liability Directive provides a system for compensating consumers who suffer damage due to defective products without having to prove the producer's fault ("no-fault liability"). A REFIT evaluation of the Directive was conducted in 2018 and the Commission is now preparing an impact assessment for the revision of the Directive which will be concluded in March 2022. A public consultation was conducted between October 2021 and January 2022. The adoption of the proposal itself is forecast for Q3 2022. The objective of the revision is to adapt the Directive to the digital and circular economy, in particular by ensuring liability for defective software, and to strike a fair balance between producers and consumers by reducing obstacles to getting compensation for harm caused by defective products.

Common chargers for mobile phones and similar devices

On 23 September 2021, the Commission adopted a proposal for a Directive of the European Parliament and of the Council amending Directive 2014/53/EU, taking an important step against e-waste and consumer inconvenience, caused by the prevalence of different, incompatible chargers for electronic devices by a) introducing the harmonisation of the charging port and the fast charging protocol in order to ensure full interoperability to the benefits of EU consumers and b) introducing requirements on unbundling, i.e. separating the sale of a charger from the sale of the electronic device, which will lead to a significant reduction of production and disposal of new chargers. The proposal is supported by an Impact Assessment that builds on the conclusion of three studies: (i) an impact assessment study about common chargers for portables device (December 2019); (ii) an impact assessment study about unbundling of chargers for mobile phones and similar devices (June 2021); and (iii) a technical supporting study about wireless charging technologies used for mobile phones and similar devices (April 2021).

Cybersecurity of radio equipment

On 29 October 2021, the Commission adopted the Delegated Regulation (EU) 2022/30. This delegated act of the Radio Equipment Directive aims to ensure that certain categories of radio equipment, including internet-connected devices, toys, childcare equipment and wearables comply with a high level of cybersecurity, privacy and protection against fraud as a condition for EU market access. The aforementioned requirements will have to be demonstrated by manufacturers.

Compliance of software uploads in radio equipment

When radio equipment is placed on the market, the manufacturer needs to demonstrate that they fulfill several legal requirements. Nevertheless, the features of the equipment can be modified via software update, compromising such requirements. This initiative, linked to a delegated act of the Radio Equipment Directive aims at ensuring that radio equipment

are protected from such a scenario. The Commission has completed a preliminary study in 2021. The file currently on hold, waiting for the adoption of the announced Cyber Resilience Act, in order not to duplicate obligations for the economic operators.

Access to vehicle data, functions and resources

With increasing wireless connectivity and multiple sensors, vehicles are generating more and more data. Access to these data is crucial for transforming the existing car services (such as maintenance, insurance, mobility) and developing new ones. To ensure a level playing field among car-based service providers and ultimately enable better access to more such services to consumers, without compromising on safety, security and data protection, DG GROW started to prepare in 2021 a legislative initiative aiming at laying down a balanced framework to ensure access and use of data generated by vehicles. A Call for Evidence and a public consultation will be launched in March 2022 and the impact assessment will be prepared in 2022.

Road approval requirements for non-road mobile machinery

The initiative aims to harmonise safety requirements for the road approval of non-road mobile machinery (NRMM) and close gaps in the Single Market for NRMM in order to reduce administrative burden and compliance costs. A public consultation was completed in February 2021 and a workshop with stakeholders was held in May 2021, followed by meetings with industry and Member States. The Regulatory Scrutiny Board issued a positive opinion with reservations on the impact assessment in December 2021. Adoption of the proposal is planned in Q3 2022.

Methods of measurement of airborne noise emitted by equipment for use outdoors.

Equipment for use outdoors needs to comply with certain noise performance and marking requirements in order to be placed on the EU market. The Directive includes the noise measurement methods that manufacturers need to follow to determine the noise levels of this type of machines. In 2021, DG GROW has started to work on a delegated act to amend these noise measurement methods and bring them in line with the technological progress. The adoption of the delegated act is planned for Q1 2023.

Regulatory simplification and burden reduction, evaluations and fitness checks (REFIT: making EU law simpler, less costly and future proof)

Commission Working Programme 2021 – REFIT: Revision of the Machinery Directive

A REFIT evaluation of the Machinery Directive (SWD (2018)160) was concluded in 2018. A public consultation was held in 2019, and an impact assessment was drafted, which went through regulatory scrutiny in February 2021. The revision of the Machinery Directive was adopted on 21 April 2021 aiming to ensure the free circulation of machinery in the EU and a high level of safety for consumers. The main points that were addressed include adapting the current requirements to the risks stemming from new technologies such as Artificial Intelligence (AI). These are risks from machine learning, human robot direct collaboration and the cyber safety of connected machines. AI-based software affecting safety functions

of machines and placed independently on the market may become safety components having to be CE marked. The revision proposed also changes to achieve simplification by: (i) allowing digital documentation; (ii) aligning the directive to the new legislative framework; and (iii) avoiding divergences in interpretation by converting the directive into a regulation.

Commission Working Programme 2021 - REFIT: Evaluation of the Electromagnetic Compatibility Directive

The objectives of the Directive are to ensure the functioning of the Single Market by requiring equipment to comply with an adequate level of electromagnetic compatibility. In 2021, DG GROW continued the evaluation of the Directive with the aim to assess whether it is still fit for purpose, as this legislation has been used for the last 30 years without major modifications. The focus is on identifying gaps in the implementation and the effects of technological progress that may require corrective measures. The evaluation is due to be finalised in Q3 2022.

Commission Work Programme 2020 – REFIT: Report on and Evaluation of the Postal Services Directive

Originally planned for Q4 2020, the evaluation of the Postal Services Directive was adopted on 8 November 2021. The evaluation concluded that the Postal Services Directive was effective in ensuring access to essential letter and parcel delivery services to all and that its objectives of safeguarding the Single Market for postal services and the postal universal service are still relevant despite significant changes in the market. The first implementation report of the 2018 Regulation on cross-border parcel delivery services was adopted at the same time.

Public consultations in 2021

- Adapting liability rules to the digital age and AI;
- Review of the Designs Directive;
- Review of the Community Designs Regulation;
- Geographical indication for non-agricultural products.

Outreach

The communication ‘tools’ for interactions with its main ‘audiences’ have been DG GROW-led events (European Industry Days, Cluster conference, SME Week, SME Assembly, Circular Plastics Alliance General Assembly), DG GROW participation at international events (Hannover Messe, Web Summit, Slush, Green Week), as well as DG GROW or Agency-led (social media) campaigns. However, due to COVID-19, certain events like Hannover Messe had to be held in a digital format, or were cancelled. These actions have been supported by selective press/social media actions where appropriate. Topics more relevant to citizens have been communicated in coordination with the Spokesperson’s service and DG COMM, via social media campaigns on topics such as Your Europe/Re-OpenEU. Any communication actions, directed to entrepreneurs and citizens, were, where useful, translated into the language of each Member State and, where relevant, were branded under the ‘look and feel’ of the Commission’s #NextGenerationEU corporate communication campaign.



Specific objective 2: More European SMEs have access to cross-border business

New initiatives

COVID 19 – aiding SMEs to recover

Already in April 2020, EUR 1 billion was redirected from the European Fund for Strategic Investments (EFSI) to reinforce the existing EU guarantee facility schemes and conditions were changed to incentivise banks to provide liquidity to businesses. As of 30 September 2021, more than 100.000 companies had already received financing of more than EUR 9 billion. SMEs can also benefit from SURE, a EUR 100 billion instrument helping workers to keep their income and businesses to stay afloat.

The Enterprise Europe Network (EEN) continued to give dedicated support to SMEs across Europe, including helping them deal with supply chain disruptions and develop innovative solutions. It also developed new services that will allow the renewed EEN that came into place in January 2022 to support SMEs in making the green and digital transition, most notably with Sustainability Advisors and dedicated support to digitalisation. In addition, it worked to develop synergies with the European clusters network with a joint matchmaking event and joint training on access to finance.

DG GROW and cluster organisations represented by the European Cluster Alliance (ECA) organised sixty 1-hour webinars every week in 2021 while DG GROW's led European Cluster Collaboration Platform (ECCP) continued to provide opportunities for networking, sharing of knowledge and experience among members of clusters including SMEs. Last, the EUR 42 million call for Euroclusters (Joint Cluster Initiatives) was launched under the new Single Market Programme to support cross-sectorial and interdisciplinary cluster collaboration in leading the green transition, accelerating digitalisation and building resilience, especially in SMEs. DG GROW also published the 2021 edition of the European Cluster Panorama. The report comes with an interactive mapping tool, mapping over 1000 EU cluster organisations and innovation actors and inspiring examples of policies and practices to support clusters' mission through a Policy Toolkit

Beyond Europe, two international matchmaking events have been organised by the ECCP to facilitate business partnerships with South Mediterranean countries and Singapore. The Low Carbon and Circular Economy Business Action was continued in 2021 to facilitate the commercialisation of green low-carbon technologies of European small and medium-sized enterprises and companies in Argentina, Brazil, Canada, Chile, Colombia and Mexico..

Implementing the SME Strategy

The SME Strategy remains the compass for SME support in the recovery phase. Key activities of DG GROW in 2021 included access to finance, better regulation, supporting actions for the twin transition of sustainability and digitalisation, helping SMEs protect their intellectual property and enforcing the Late Payment Directive. They also included support to Member States to use the EU's new public procurement framework to promote

62% of EU SMEs confront barriers to digitalisation and 70% of EU SMEs say they are facing at least one obstacle that prevents their enterprise from becoming sustainable.

Kerstin Jorna, Director-General DG GROW

participation of SMEs in public tenders and implementing the Single Digital Gateway, which should become a one-stop-shop to do business across the Single Market. Creating synergies with other DGs to ensure that SMEs have access to services for capacity building across the Single Market and linking different networks, such as the Enterprise Europe Network and the Digital Innovation Hubs continued to be key actions of DG GROW. Last, the internationalisation of new entrepreneurs has been reinforced with the geographical extension of the Erasmus for Young Entrepreneurs programme to three new third countries – Canada, South Korea and Taiwan.

InvestEU SME window

For the 2021-2027 period the Commission will rely on one single programme (InvestEU Programme) and one fund (InvestEU Fund) to provide finance to policy priority areas, including the financing of SMEs. In close cooperation with the main implementing partner, the EIB group, the Commission prepared the ground to launch new debt and equity financing facilities. Under the SME window of InvestEU, the Commission builds on the positive experience with previous EU SME debt and equity schemes. The new debt facilities will target SMEs perceived as high risk or having insufficient collateral, including innovative ones, those from the cultural and creative sectors, SMEs transitioning from resource-intensive models towards more sustainable ones and those adopting digitalisation. The new equity facilities will support SMEs and small midcaps in areas of special EU interest such as space and defence, sustainability, digitalisation, innovation, gender-smart financing, deep and green tech. Invest EU will also support final recipients whose activities are of strategic importance to the EU, in particular in view of the green and digital transitions, enhanced resilience and strengthening strategic value chains.

Scaling-up: ESCALAR (European Scale-Up Action for Risk Capital)

ESCALAR provided up to EUR 300 million to increase the investment capacity of venture capital and growth financing funds, which invest in high-potential companies, enabling those companies to scale up in Europe and thus reinforce Europe's technological sovereignty. It was financed as a pilot under the European Fund for Strategic Investments (EFSI) and should support overall investments of up to EUR 1.2 billion to support high-potential companies. A large number of applications were received, resulting in 6 investments (for over EUR 200 million) signed by the end of 2021, with another in due diligence.

Advocating for SMEs: the network of SME envoys

The network of SME Envoys strives to make the voice of SMEs heard. The focus is on reducing administrative burden and helping enforce the Single Market rules. In 2021, the Network focussed on implementing the SME Strategy and discussing the SME aspects of the National Recovery and Resilience Plans. It contributed in particular to the Fit for Future platform and the Single Market Enforcement.

Regulating better

SMEs are particularly affected by regulatory burden. The impact of new legislation on small businesses must be assessed using the SME test. The Green Deal triggered the revision of

many legislative acts and the introduction of new ones. It is crucial for the recovery to design Green Deal legislation in such a way that small companies assume new obligations while minimising additional administrative burden. DG GROW carried out preparatory work for 24 impact assessments and finalised 4 impact assessments. The preparatory work includes internal economic research, stakeholder consultations and procurement of studies. DG GROW regularly seeks the views of citizens and stakeholders when it develops policy and legislation. In 2021, DG GROW launched 10 public consultations.

Strengthening the creative and cultural economy

DG GROW continued to foster the competitiveness of creative economy under the 'Cultural and creative industries ecosystem', by promoting creativity-driven business models through the Worth Partnership Project, which disseminated, inter alia, the values of the New European Bauhaus movement and supporting skills cooperation under the Pact for skills with a view to setting a large scale partnership. Work was further pursued to ensure the transparent circulation of cultural goods in the Single Market, with the adoption of the 1st report on the implementation of the recast Directive 2014/60.

Strengthening the proximity and social economy

DG GROW continued to foster inclusive, sustainable and socially responsible growth opportunities for European businesses, under the 'Proximity and social economy industrial ecosystem', by fostering local production and consumption, human-centric city models and social economy business models, by organising a summit on social economy, which delivered the Mannheim Declaration on social economy in front of 3000 participants, and promoting skills cooperation under the Pact for skills with a view of setting a large scale partnership. Regarding proximity economy, work continued to support a network of 136 cities and their local businesses via the Intelligent Cities Challenge initiative. Moreover, dedicated support under the Single Market Programme delivered results on exchanging best practices and success stories to support social economy missions at local and regional level and strengthen the European Social Economy Regions network.

Enforcement actions started in 2021

Enforcing the Late Payment Directive

Despite the adoption of the Directive 10 years ago, not even 40% of payments in the EU are made within the deadline agreed. In 2021, DG GROW launched actions to increase the effectiveness of the Late Payment Directive and thus improve the liquidity of SMEs. As regards commercial transactions between professional private operators (B2B) activities focussed on ecosystems that are particularly affected, such as construction and tourism, where late payments are very common due to uneven bargaining power between big operators and SMEs. The situation has been aggravated in the COVID-19 crisis. To counter the COVID-19 outbreak DG GROW supported the Member States to apply the Directive more effectively by:

- improving the availability of data on average payment delays and unfair payment practices by setting up an EU Late Payment Observatory; and

- facilitating SMEs' access to 'Alternative Dispute Resolution' schemes to solve payment disputes faster. DG GROW is developing pilot schemes based on best practices.

As regards commercial transactions between public authorities and private operators (G2B), the Commission pursued its enforcement action in the context of infringement procedures by public authorities in some Member States (Belgium, Greece, Italy, Portugal, Slovakia, Spain).

Outreach

A promotion campaign for the 'Access to Finance' Webpage (A2F) was carried out. A2F related information days have been planned for deployment in 2022. A series of Webinars on 'EU support tools for SMEs' has been carried out. A follow up action assessing how to improve the uptake of such support tools in all Member States has been launched in 2021 and results are foreseen to be tested in 2022/2023. A dedicated social media campaign (Outreach to Businesses and Citizens) highlighting cross-border business support and opportunities for SMEs was carried out. Cooperation with Euronews has been renewed to keep 'Business Planet' in the spotlight on the most relevant EU SME topics. The annual SME Assembly was held on 15-17 November 2021 with the support of the Slovenian Presidency in a hybrid format with delegates attending in-person and online. The European Enterprise Promotion Awards were awarded during the Assembly. The 2021 Annual Report on SMEs, this time with SME digitalisation as a special focus, as well as the country specific SME fact sheets were published in the context of the SME Performance Review.



Specific objective 3: More business opportunities are generated by trading in the Single Market

New initiatives

Commission Work Programme 2021 – Foreign subsidies

Openness to trade and investment is essential to Europe's prosperity and competitiveness, but it must go hand in hand with fairness and predictable rules. In 2021, DG GROW co-lead together with DG COMP the work towards the adoption, on 5 May 2021, of a proposal for a Regulation on foreign subsidies distorting the Single Market. The initiative aims to address distortions caused by foreign subsidies that undermine the level playing field in the internal market. As such, it closes a regulatory gap, since subsidies granted by non-EU governments go currently unchecked, as opposed to state aid granted by Member States that is subject to strict control in the EU.

Enhancing the Single Market through a spending programme

The Single Market Programme is a EUR 4.2 billion programme aiming, amongst others, to improve the functioning of the Single Market on the ground. The SMP Regulation was adopted in April 2021, the first Work Programme was adopted in May 2021 and the implementation is ongoing. As mentioned in the SMP programme statement, the programme will contribute to a range of Commission priorities including a European Green Deal, a Europe Fit for the Digital Age and an Economy that Works for People, as well as a

Stronger Europe in the World. Further improvements to the functioning of the internal market can help develop the competitiveness of the European economy and thereby support the effective recovery following the COVID-19 pandemic. The three main pillars for GROW are: (1) Internal market (by developing user-centric internal market governance tools, supporting effective market surveillance, as well as ensuring safe and compliant products and increasing capacity of market surveillance authorities), (2) SMEs (by providing various forms of support to SMEs as well as clusters and business network organisations), and (3) standardisation (by developing European standards and deliverables in support of EU policies and legislation and enabling participation by all relevant stakeholders, including European Standardisation Organisations (ESOs). The programme is managed mainly via direct management, with some elements delegated to a) EISMEA (SME pillar, market surveillance, some aspects of European standardisation projects and the consumer protection strand) and b) HADEA (food chain, animal health and animal welfare, plant health and plant reproductive material). DG GROW has achieved with EISMEA important milestones already in the first steps of the SMP implementation. The organisation of matchmaking events dedicated to scaling up the development and production of COVID-19 vaccines and therapeutics together with the European Cluster Collaboration Platform was a clear success story.

Supporting European Standardisation

In 2021, DG GROW concluded Framework Partnership Agreements with the European standardisation organisations. The extended duration of these agreements supports the financing of European standardisation in setting up European standards during the entire period 2021-2027.



We need a strong European standardisation system to accompany the green and digital transition in the Single Market.

Kerstin Jorna, Director-General DG GROW

Guiding public procurement



With social and green criteria, public buyers can decide how to best use the EUR 2 trillion they spent every year in Europe.

Kerstin Jorna, Director-General DG GROW

Public buyers at various levels of government, who managed pre-COVID-19 budgets worth 14 % of EU GDP, have a crucial role to play in the unprecedented investments needed to ensure a green, digital and resilient recovery. New initiatives aimed at climate-proofing public investment and facilitated cooperative procurement projects, supporting the climate transition. DG GROW assisted all Member States in ensuring a transparent, open and competitive system of public procurement and adopted a package of guidance documents to further clarify the legal framework and share best practice in professionalising public procurement mainstreaming green and social sustainability and innovation. DG GROW worked on opening the public procurement markets of third countries in bilateral and in plurilateral setting by continuing the work in the World Trade Organisation Government Procurement Agreement (GPA). It is also closely involved in the work on the International Procurement Instrument.

Updating the reform recommendations for regulation in professional services

In 2021, the Commission published the updated reform recommendations on regulation in professional services with the aim to incentivise and assist Member States in creating a regulatory environment conducive to growth, innovation and job creation and to do away with persisting obstacles in the Single Market for services. The updated recommendations and the restrictiveness indicator reflect the very limited progress made by Member States since the initial recommendations in 2017. GROW presented and discussed the recommendations with the Member States and stakeholders.

Opening global markets

In 2021, DG GROW enhanced the external outreach of the Single Market and contributed to Europe's competitive position in global value chains. The DG engaged in Europe's overall economic diplomacy through business support in third countries. This includes the EU-Japan Centre for Industrial cooperation and the European Business Organisations. The DG also contributed to the Indo-pacific strategy and the Global Gateways Communication while expanded its bilateral strategic partnerships on raw materials to Ukraine.

The DG contributed to the negotiations and implementation of Free Trade Agreements and (co) chaired several dialogues under the EU-Canada CETA agreement. Regarding the SME Centre in China, the DG published the call for proposals for its 4th phase of operation.

In 2021, DG GROW continued to promote EU policy in the area of free movement of goods towards third countries, by coordinating and representing the Commission's position on the implementation of the WTO Agreement on Technical Barriers to Trade (TBT). DG GROW also played a key role in the adoption of the Ninth Triennial Review and continued its activities as an EU TBT Enquiry Point – a central point to process all EU notifications submitted to the WTO under the TBT Agreement.

The DG provided analyses and evidence to support the use of Trade Defence Instruments, as well as EU sanctions and contributed to the design of an instrument against foreign coercion. DG GROW was involved in the screening mechanism to identify, assess and mitigate potential risks for security or public order of foreign direct investments.

DG GROW facilitated cooperation with Japan, China, Taiwan and Ukraine. It helped pursue continued engagement with the US in selected areas notably in the framework of the EU-US Trade and Technology Council and supported enlargement countries in their path towards EU accession. DG GROW cooperated with Eastern and Southern Neighbourhood, both at regional level and bilaterally (including the implementation of Association Agreements such as with Ukraine, Morocco or Tunisia). The DG sought opportunities for market integration and business cooperation in the framework of the EU-Africa Partnership and explored opportunities for more business cooperation with strategic partners such as South East Asia. DG GROW worked on fostering new partnerships on sustainable raw materials value chains in six African countries (DRC, Namibia, Uganda, Rwanda, Senegal and South Africa), together with DG INTPA and the EU Delegations. A first assessment of key strengths and weaknesses of each country has been carried so far, with the greatest progress with Namibia. At the multilateral level, the DG will contribute in areas of its

competence to Commission work in multilateral fora, i.e. G7, G20, UN, etc. In the context of the COVID-19 pandemic, DG GROW has supported the work of the joint EU-US Taskforce on addressing international supply chain bottlenecks, removing unnecessary restrictions and expanding global production capacity, in particular to support industrial involvement in African projects.

Implementing the EU-UK Withdrawal Agreement has been a major work strand in 2021, notably as regards the Protocol on Ireland/ Northern Ireland. DG GROW participated in the technical talks with the UK, providing expertise on the goods acquis within the DG's remit. Similarly, DG GROW participates in the negotiations with the UK on Gibraltar. The DG has also been involved in developing a new partnership with the UK based on the EU-UK Trade and Cooperation Agreement of 31 December 2020, notably in the areas of goods, services, intellectual property, public procurement and SMEs. DG GROW continued to assist the EU industry in adapting to the consequences of the UK withdrawal.

Outreach

A webinar series promoted 'EU support tools for SMEs' to help small businesses develop activities throughout the Single Market. Such Support tools include the Enterprise Europe Network, Access to Finance, Your Europe Business, Solvit, Your Europe Advice, Erasmus for Young Entrepreneurs, European Cluster Collaboration Platform, European Intellectual Property helpdesk, Access to Markets, Cassini and more. A dedicated social media campaign (Outreach to Businesses and Citizens) highlighted cross-border business support as well as opportunities (finance, partners).



Specific objective 4: Promote compliance with EU Single Market rules and enforce them

New initiatives

Single Market Enforcement Task Force (SMET)

The SMET continued its work in 2021 by establishing a coordinated approach to address restrictions and enforcing EU rules. Alongside the work on the remaining COVID-19 related barriers, SMET emphasized the importance to address concrete systemic barriers that hamper the full functioning of the Single Market and, consequently, negatively impact the successful recovery. The first report⁴ on the work of the Single Market Enforcement Taskforce (SMET), was published in September 2021.

The Task Force is determined to bust barriers in the Single Market. Because we all need our Single Market to power a recovery that leaves no one behind.

Kerstin Jorna, Director-General DG GROW

Enforcing the Services Directive

The Services Directive is a core legislative tool to ensure a fully functioning and resilient Single Market for services. In 2021, the Commission continued on-going enforcement actions and launched new ones where the dialogues with Member States did not lead to

⁴ <https://ec.europa.eu/docsroom/documents/47154>

satisfactory results. In the area of infringements, measures adopted by several Member States allowed the Commission to close a series of procedures related to legal form, shareholding, fixed tariffs, multidisciplinary restrictions and reserved activities. The Commission continued the infringement procedures on the Points of Single Contact (PSCs), which are at the heart of digitalisation and e-government, while closely monitored Member States actions towards putting in place functioning e-government solutions across a broad range of areas. In order to identify and to assess the evolution of legal and administrative barriers in the services sector, the Commission published the study 'Mapping and assessment of removal of legal and administrative barriers in the services sector'.

Enforcing in the area of goods and public procurement

In the area of goods, enforcement actions were undertaken to address or prevent barriers to the free movement of goods in the health, agri-food and retail sector. Special attention was dedicated to the emergence of obstacles related to national bans or restrictions to the export of some categories of goods to other Member States as a reaction to shortages or increased prices of products or raw materials. Robust enforcement actions were pursued in public procurement as regards several Member States to ensure correct transposition of the 2014 directives, also having in mind the implementation of the Resilience and Recovery Plans and the management and expenditure of other EU funds. Preventive compliance and interpretative actions have helped public buyers to better understand and correctly apply the rules in the emergency situation related to the COVID-19 crisis.

Providing transparency – the Single Market Transparency Directive (SMTD)

The COVID-19 crisis highlighted the strategic importance of the SMTD. The Directive was the entry point for urgent national measures with an impact on the free movement of medical equipment, medicinal products and medical information society services. In the course of 2021, DG GROW further developed the strategic implementation of the SMTD, focussing on increased transparency of the procedure vis-à-vis external stakeholders, as well as on improving the TRIS database to better support the needs of the users in the Member States.

Surveilling products in the Single Market

An enforcement of EU product rules requires a well-equipped, digitalised, efficient and well-coordinated market surveillance policy. While most of the Regulation (EU) 2019/1020⁵ started to apply on 16 July 2021, the provisions on the Union Product Compliance Network (EUPCN) and on the financing apply from 1 January 2021. The Network met for the first time in January 2021, held a total of 10 meetings in 2021 and adopted its rules of procedure and the work programme for 2021-22.

Upon consultation of the EU Product Compliance Network, DG GROW prioritised in 2021 those sectors, for which it would be necessary to designate Union testing facilities (EUTFs) and started the development of the legal framework laying down the procedures in this

⁵ Regulation (EU) 2019/1020 of the European Parliament and of the Council of 20 June 2019 on market surveillance and compliance of products and amending Directive 2004/42/EC and Regulations (EC) No 765/2008 and (EU) No 305/2011

respect. The objective is to ensure reliable testing of products placed on the European market and coherence in the enforcement of the European legislation. The ICSMS (Information and Communication System for Market Surveillance) is the digital backbone of the cooperation between market surveillance authorities, as well as with customs authorities. The Commission has further developed ICSMS adding new functionalities, such as a mechanism for mutual assistance among market surveillance authorities and dedicated modules to address the specificities of the eco-design and energy labelling legislations. To strengthen the effectiveness of controls at the EU borders, the Commission adopted in 2021 the general framework for the digital interface between national customs systems and the ICSMS. The interconnection of systems should be operational by 2025.

Ensuring mutual recognition

As part of its efforts to fight systemic obstacles in the area of the free movement of goods related to a deficient application of the mutual recognition principle, the Commission has engaged with the relevant EU Product Contact Points. Relying on these points in order to obtain reliable and specific information about the law in force in a given Member State remains important for businesses and in particular SMEs. In addition, in order to provide and ensure efficient cooperation of the competent national authorities and the Product Contact Points of the Member States, the Commission continued the use of the ICSMS (Information and Communication System for Market Surveillance) for notifications of national decisions, temporary suspensions, Commission's opinions and exchange of information. A series of trainings have been organized, in 2021, aiming to promote best practices, raise awareness for authorities and businesses and coordinate the actions of national authorities.

Assessing national rules for professions

The transposition deadline for the Directive on a proportionality assessment for professional regulation of professions was 30 July 2020. After the launch of non-communication enforcement actions in October 2020, nearly all non-communication cases were closed after notification of national transposition measures by Member States. In December 2021, the Commission took further legal action against 18 Member States after having engaged in a systematic conformity assessment of the national transposition measures. Taking into account further insights gained from in-depth compliance assessments, in order to ensure correct application of the Directive, the Commission is working towards publication of the guidance document to the Member States in 2022.

Solving disputes in the Single Market - SOLVIT

SOLVIT is a network for resolving Single Market complaints or disputes. Commission services can transfer non-priority complaints to SOLVIT. In 2021, together with DG EMPL and the European Labour Authority (ELA), DG GROW agreed on a model to transfer unresolved SOLVIT cases for mediation to the European Labour Authority. In 2021, DG GROW assisted the network in dealing with more than 2400 cases. More than 85% of these cases were solved. Actions to address staffing issues in a number of SOLVIT centres continued.

Implementing the Single Market rules through administrative cooperation

The Internal Market Information (IMI) system is the secure platform for administrative cooperation and information exchange on Single Market rules mainly for public authorities. In 2021, IMI supported 67 administrative cooperation procedures in 17 different policy areas. DG GROW upgraded IMI by the following actions:

- Ongoing work on the integration into IMI of the Regulated Professions Database, expected to be finalised in Q3 2022.
- Launch of a pilot project to implement the administrative cooperation provisions relating to refusals to grant authorisations for firearms (DG HOME in the lead) has been prepared and ready for the end of January 2022; and
- In the context of the adopted Mobility Package, a new module in IMI for the declaration of posting of drivers has been prepared. The public interface has been devised (DG MOVE in the lead) and it is expected to be launched together with the IMI module for Member States in February 2022.

Informing about the Single Market and measuring Member States performance

The Your Europe portal informs citizens and businesses about EU and national rules in the Single Market. It was upgraded at the end of 2020 to become the hub of the EU Single Digital Gateway, also providing access to national advice and problem-solving services as well as, in the future, to e-procedures. With 58.3 million visits, Your Europe was the second most-visited website of the EU institutions in 2021. Member States are adding content to the gateway and prepare for the next milestone, the digitalisation of procedures by 2023. Tailor-made advice to citizens and businesses about their EU rights is also provided by the Your Europe Advice service.

The Single Market Scoreboard is an online tool monitoring and assessing the performance of Member States in specific areas of the Single Market, from law enforcement to trade integration. DG GROW extended the scope to three new areas (i.e. greening of the industry, SMEs business environment and market surveillance) and upgraded the IT system of the Scoreboard. The objective of the Scoreboard is to identify barriers in the Single Market across sectors by bringing together the information sources in EU institutions and potentially beyond.

Regulatory simplification and burden reduction, evaluations and fitness checks (REFIT: making EU law simpler, less costly and future proof)

Commission Work Programme 2021 - REFIT - Evaluation of the New Legislative Framework for Products (NLF)

The New Legislative Framework, which consists of Regulation 765/08 and Decision 768/08, is a general framework for EU product legislation. It aims to improve the Single Market for goods by enhancing market surveillance and boosting the quality of conformity assessments. Main aspects of the evaluation are the following:

- Digitalisation - Products are increasingly digital and continuously modified after they have been put into service.

- Second life of products: circular economy & product safety - The New Legislative Framework is based on assessing the safety and compliance of products at the time they are placed on the market. It does not address changes that may occur to products after they are put into service. Today, we encourage that products are reused, refurbished, remanufactured.
- Conformity assessment: Is compliance ensured in the changing environment?
- Accreditation: to what extent it ensures the competence of conformity assessment bodies?
- COVID-19 crisis: Is Union product legislation resilient to emergency situations? Whether or not the lack of a crisis instrument renders the New Legislative Framework less effective or efficient?

Outreach

DG GROW's Single Market outreach encouraged: i) public authorities to be proactive in enforcing EU law; and ii) entrepreneurs and citizens in challenging barriers to the Single Market via the Your Europe, SOLVIT and Your Europe Advice tools. Your Europe being enhanced by first promotional activities under the Single Digital Gateway, now reached 50 million visits. Infringement procedures continued to be communicated through press materials.

General objective 2 - A European Green Deal⁶

The European Green Deal is the new EU growth strategy fostering the transition to a climate-neutral, resource-efficient and competitive economy and the move towards zero-pollution in Europe. It has also set a goal to better protect health and the environment by tackling pollution from all sources and moving towards a toxic-free environment. In achieving its goals DG GROW works closely with the decentralised Agency ECHA which implements the EU's chemicals legislation to protect health and the environment, contributing to a well-functioning internal market, innovation and the competitiveness of Europe's chemicals industry. It also promotes alternative methods for the hazard assessment of substances in order to reduce the number of tests on animals.

Fostering the transition to a climate-neutral, resource-efficient and competitive economy

New initiatives

Commission Work Programme 2021 New initiative – Sustainable products initiative (with DGs ENV/ENER)

The Sustainable Product Initiative (SPI) aims to make products fit for a climate neutral, resource efficient and circular economy and reduce waste. Priority has been on the value chains identified in the Circular Economy Action Plan, such as electronics and ICT, textiles, but also furniture and high impact intermediary products like steel, cement and chemicals. The intention of the legislative proposal is to widen the scope of the Ecodesign Directive

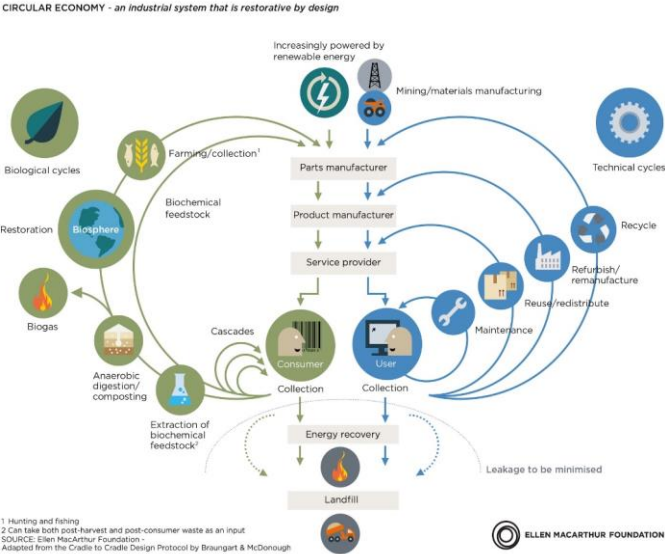
⁶ Specific objective 1: Increase the share of material recovered, recycled and fed back into the economy

beyond energy-related products to make it applicable to the broadest possible range of products and make it deliver on circularity. This has been done in coordination with other EU product policy and sectoral initiatives on electronics, batteries, construction, textile, plastic and packaging. In 2021, extended consultations (including an Open Public Consultation in line with Better Regulation rules) took place as well as a series of dedicated workshops and tailored questionnaires, all confirming strong general support for a regulatory initiative covering the sustainability dimensions of products. The information collected underpin the related Impact Assessment, which received the Regulatory Scrutiny Board positive opinion on 21 January 2022. The adoption of the legislative proposal is scheduled for 30 March 2022.

Making the economy circular

The aim of the Circular Economy Action Plan of 2020 is to allow the decoupling of economic growth from resource use and environmental impacts, while ensuring the long-term competitiveness of the EU. DG GROW planned the following actions in 2021:

- Support the development of decontamination technologies that allow separation of waste containing substances of concern and work with industry to implement information systems on substances of concern for stakeholders and consumers; and
- Intensify the monitoring of national measures to accelerate the transition to a circular economy as part of the European Semester. The EU Circular Monitoring Framework will be the basis for benchmarking national performances. Together with DG ENV, Eurostat and JRC, the indicators used by the Framework will be expanded to cover consumption and material footprints.



Decreasing strategic dependencies on raw materials for green technologies

The EU is highly dependent on critical raw materials imports from third countries for its manufacturing industry and this is especially pertinent for the materials needed for the twin green and digital transition. The EU can reduce its strategic dependencies by increasing domestic production, diversifying supply from outside the EU and increasing the circularity of its economy. Through Horizon Europe, particularly Cluster 4, DG GROW is implementing several actions from the Critical Raw Materials action plan. The activities contribute to developing and improving technologies and raw materials knowledge base for sustainable and secure supply of raw materials (primary and secondary) to the EU, including reducing the environmental footprint. The activities focus on the whole value chain of raw materials, from exploration, extraction, processing, refining, recycling and substitution. In 2021, GROW launched Horizon Europe calls to address the environmental impacts of extractive

industries and develop processes along the value chain that increase circularity. It also established two raw materials partnerships with Canada and Ukraine, and is exploring options with other countries through the work of the European Raw Materials Alliance, investment projects that could increase EU rare earths supply to cover 20% of industries' needs, from a near total dependency on China today. Through the Raw Materials Week, DG GROW has enabled exchange with stakeholders in the raw materials field, including the recycling industry. DG GROW also published the 3rd Raw Materials Scoreboard that highlights and communicates issues and knowledge on raw materials.

Strengthening the sustainable textiles industry

In close cooperation with industry and other stakeholders, DGs ENV and GROW worked on an initiative to strengthen industrial competitiveness and innovation and to boost the EU market for sustainable and circular textiles. The strategy for sustainable EU textiles, that will be adopted in March 2022, together with the co-creation of the transition pathway for the textile ecosystem, will contribute to the textile sector emerging as global leader in green and circular business models and technologies.

Making products energy-efficient

DG GROW worked on potential Ecodesign measures for mobile phones, tablets and photovoltaic products, in order to make them more resource efficient, i.e. more energy efficient, more durable or more repairable. The requirements under preparation are related to a) design for reliability (resistance to accidental drops, scratch resistance, protection from dust and water, battery longevity), b) ability of the product to be disassembled and repaired (such as availability of critical spare parts), c) availability of operating system version upgrades, d) data deletion and transfer functionalities, e) provision of appropriate information for users, repairers and recyclers and f) battery endurance. The Commission indicatively aims to have the draft Regulations published on the Europa website (for the 4 weeks 'feedback mechanism' period) in Q2 2022 (this means, having finalised the impact assessment report beforehand), and complete the adoption process of the measures before end of the year.

Making housing affordable and sustainable

The initiative '100 Affordable Housing renovation districts' started in 2021. The focus is on smart and energy-efficient affordable and social housing neighbourhoods providing blueprints for replication across cities, regions and Member States, and mobilising cross-sector project partnerships linking the construction ecosystem with the public and social housing sectors, including the social economy. A partnership was set up at European level to support local and national alliances for investment in social and affordable housing as well as promote innovations, circular and green techniques and social innovations. In parallel, several district demonstrators will start in 2022, with support under Horizon Europe. They will test state of the art technology, social innovations and forms of resident engagement in for example energy provision, also contributing to the values of the New European Bauhaus.

Recycling plastics

In the second half of 2021, the Circular Plastics Alliance delivered on the quantification of the untapped potential in collection, sorting and recycling of plastic waste and related investment needs to reach the target of 10 million tonnes recycled plastics used by 2025. It also committed to develop guidelines for the recyclability of 26 plastic products (which account for 60% of plastic waste collected in Europe) and established a first-of-its-kind monitoring system to track the quantities of recycled plastics produced and used in Europe.

Better protecting health and the environment by tackling pollution from all sources and moving towards a toxic-free environment

Commission Work Programme 2021 New initiative – Cars, vans, lorries and buses emissions (Euro 7)

To accelerate the shift to sustainable and smart mobility, road transport has to become significantly less polluting, especially in cities. Efforts have been made over the last four years to reduce emissions of air pollutants, in particular in the wake of the ‘Dieselgate’. Still, more needs to be done to ‘clean’ the combustion engine to ensure the protection of health and the environment and to prevent fragmentation of the Single Market due to individual national measures (e.g. diesel bans, petrol bans). In 2021, DG GROW prepared more stringent yet realistic air pollutant emission standards for combustion-engine vehicles (‘Euro 7’), which were accompanied by evaluation, extensive stakeholder consultation and impact assessment. The legislative proposal is now foreseen for mid-2022.

Commission Work Programme 2021 - Promoting sustainable and responsible business conduct

DG GROW continued the work to empower industry and business players, including SMEs, towards a socially responsible and sustainable business conduct through evidence building and policy dissemination and contribution to the preparatory work for the adoption of the legislative initiative on Corporate Sustainability Due Diligence.

Making chemicals sustainable

The Chemicals strategy for sustainability presented in October 2020 is the first deliverable of the Green Deal’s zero pollution ambition. It aims at a toxic-free environment, where chemicals are produced and used in line with the green and digital transition. In line with the new strategy a number of chemicals legislation needs to be amended or adapted. In 2021

- DG GROW with DG ENV continued to implement the REACH Regulation (Registration, Evaluation, Authorisation and Restriction of Chemicals), in particular through authorisations and restrictions of substances. This helped protect health and the environment, and safeguard the competitiveness of EU companies while stimulating innovation. A wide-ranging restriction on the use of intentionally added micro plastics will pave the way for possible future measures to tackle unintentional releases of plastics, e.g. from textiles. In addition, the introduction of REACH requirements in the customs procedures/activities has been recognised as an important area to reinforce REACH enforcement at the borders.

- Preparation to amend the CLP (Classification, Labelling and Packaging of substances and mixtures) and REACH Regulations started. A roadmap has been prepared prioritising substances subject to restrictions under REACH prior to implementing the new generic risk approach. Work has started to prepare criteria to ensure that harmful chemicals have only been authorised for essential uses. The 'one substance - one assessment' approach will lead to more transparent, more consistent and faster decision-making and thus reduce regulatory burden for all actors. The CLP initiative will also explore the potential for digital labelling.
- DG GROW started preparatory work on a revision of the Toy Safety Directive. After an evaluation of the Directive, DG GROW is working on an impact assessment and a public consultation that will close on 25 May 2022. One of the first priorities of the revision will be a restriction in the use of endocrine disruptors and other toxic substances in toys. The revision will also examine whether the setting of chemical limit values should be considered for all toys and whether the safety rules ought to be extended to new risks in internet-connected toys. Finally, it will also look into improvements of the compliance and enforcement of toy safety rules, such as the possible use of a digital product passport or extended third-party conformity assessment.
- DG GROW started revising the Cosmetic Products Regulation, as a result of the Chemicals Strategy for Sustainability and its accompanying fitness check of the chemicals legislation. Based on an impact assessment and a public consultation; this revision will consider a general ban to use endocrine disruptors. It will examine whether consumers should be better protected against aggregate exposure from different sources, aim to strengthen the scientific assessment of the safety of chemicals in cosmetics through the 'one substance - one assessment' approach, amend the provisions on nanomaterials, in order to align it to the most recent EU definition and look into the potential of digital labelling.
- Furthermore, work has started in 2021 on the revision of the Detergents Regulation. Following an evaluation of the Regulation, DG GROW is working on an impact assessment and a public consultation that will close on 25 May 2022. The main objective of this initiative is to address the weaknesses that were identified in the evaluation, namely the clarifications on the scope and definitions of the Detergents Regulation, its adaptation to technical and/or other developments, the potential need for additional requirements for detergents and the lack of coherence with other EU chemicals legislation and digital labelling.
- DG GROW also launched an initiative on digital labelling for fertilising products in 2021, with an impact assessment and a public consultation that closed in February 2022. This initiative runs in parallel with the digital labelling in other areas, such as CLP, detergents and cosmetics. It examines whether the legibility of labels could be improved through digital means, like a QR-code.

The bioeconomy will be a cornerstone for the green transition of the chemicals industry. By replacing fossil-based products with bio-based products which tend to have a smaller carbon footprint, the chemical industry can make a critical contribution to the EU's climate goals, whilst simultaneously generating new job opportunities. Research and Innovation funding will play a role in helping the chemicals industry move to alternative feedstocks.

The new Circular Biobased Europe Joint Undertaking was established in 2021 to fund projects advancing competitive circular bio-based industries in Europe. In addition, in 2021, DG GROW contributed in the draft Horizon Europe work programmes under Cluster 4 “Digital, Industry and Space” and Cluster 6 “Food, Bioeconomy, Natural Resources, Agriculture and Environment”. Both these clusters cover parts of the chemical industry.

Improving sustainability between the farm and the fork

The EU Code of Conduct on Responsible Food Business and Marketing Practices is one of the first deliverables of the Farm to Fork Strategy. This voluntary code was developed by industry and stakeholders with the support of DG GROW and other DGs and launched on 5 July 2021. The code sets out the actions that the actors ‘between the farm and the fork’, such as food processors, food service operators and retailers, can voluntarily commit to undertake to tangibly improve and communicate their sustainability performance. These actions can be directly relevant and implementable within their own operations or may encourage collaboration with industry peers and other food system stakeholders (such as farmers and consumers) to make similar changes.

Regulatory simplification and burden reduction, evaluations and fitness checks (REFIT: making EU law simpler, less costly and future proof)

Commission Work Programme 2021 – REFIT - Revision of the Construction Products Regulation

As presented in the impact assessment accompanying the proposal, the revision of the Construction Products Regulation has the double objective of improving the functioning of the internal market and introducing environmental and circularity requirements for construction products leading to greater energy and material efficiency. The initiative aims to tackle the main issues identified in the evaluation, i.e. problems linked to the development of harmonised technical specifications and especially the blockage in the standardisation process. Improving market surveillance and tackling issues with national marks or additional national requirements are also on the agenda. Adoption of the revision is foreseen in Q1 2022.

Review of the Ecodesign rules of professional refrigeration products

Thanks to the already existing Ecodesign and Energy Labelling regulations on professional refrigeration products, primary energy savings in the order of 15.6 TWh per year in 2030 have been estimated. The review is assessing if further energy and resource savings can be attained, in particular by more stringent cost-effective requirements and by adding further product categories to the scope of the Regulations. The accompanying procedural steps (for instance, launch of the call for evidence) will be undertaken in the course of 2022.

Public consultations in 2021

- Sustainable Products Initiative
- Ecodesign of mobile phones and tablets

Outreach

DG GROW's communication actions on the Green Deal are designed for its two main audience groups: Entrepreneurs and citizens. Actions for entrepreneurs have been communicated in a two-way dialogue between DG GROW and its industrial stakeholders. The tools were the European Industry Days, the SME Week, the SME Assembly and the Enterprise Europe Network supported by social media campaigns mainly on Facebook and Twitter.

2. MODERN AND EFFICIENT ADMINISTRATION AND INTERNAL CONTROL

2.1. Financial management and internal control

This section reports the control results and other relevant information that supports management's assurance on the achievement of the financial management and internal control objectives (7). It includes the information necessary to establish that the available evidence is reliable, complete and comprehensive. It reports on the performance of Internal control and management systems covering all activities, programmes and management modes relevant to the DG.

Assurance is provided on the basis of an objective examination of evidence of the effectiveness of risk management, control and governance processes.

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

- the annual reports from Authorising Officers by Sub-Delegation (AOSDs), submitted by the Directors, which include the outcome of internal control monitoring within each Directorate;
- the reports from Authorising Officers by Delegation in other DGs managing budget appropriations in cross-delegation;
- the reports on control results from entrusted entities in indirect management, as well as the results of the DG's supervisory controls on the activities of these bodies;
- the contribution by the Director in charge of Risk Management and Internal Control, including the results of internal control monitoring at DG GROW;
- the reports on recorded exceptions, non-compliance events and any cases of 'confirmation of instructions' (Art 92.3 FR);
- the results of ex ante and ex post controls;
- the limited conclusion of the Internal Auditor on the state of internal control, and the observations and recommendations reported by the Internal Audit Service (IAS);
- the observations and the recommendations reported by the European Court of Auditors (ECA).

These reports result from a systematic analysis of the available evidence. This approach provides sufficient guarantees as to the completeness and reliability of the information

⁷ Art 36.2 FR: a) effectiveness, efficiency and economy of operations; b) reliability of reporting; c) safeguarding of assets and information; d) prevention, detection, correction and follow-up of fraud and irregularities; and e) adequate management of risks relating to the legality and regularity of underlying transactions

reported and results in a complete coverage of the budget delegated to the Director-General of DG GROW.

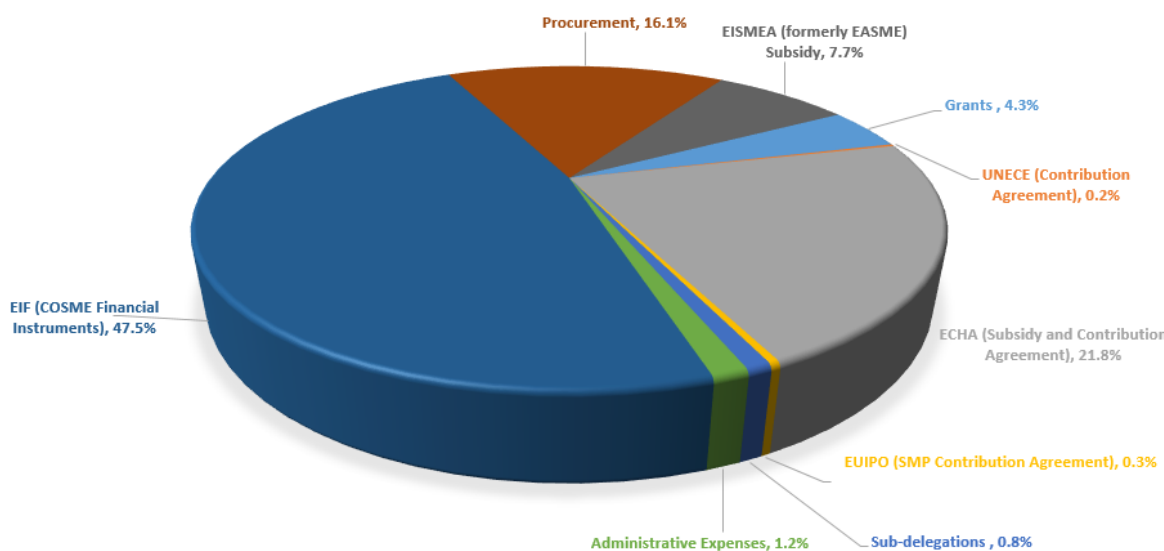
This section covers the control results and other relevant elements that support management's assurance. It is structured into 2.1.1 Control results, 2.1.2 Audit observations and recommendations, 2.1.3 Effectiveness of internal control systems, and resulting in 2.1.4 Conclusions on the assurance.

2.1.1. Control results

This section reports and assesses the elements identified by management which support the assurance on the achievement of the internal control objectives (ICO) ⁽⁸⁾. The DG's assurance building and materiality criteria are outlined in AAR Annex 5. The AAR Annex 6 outlines the main risks together with the control processes to mitigate them and the indicators used to measure the performance of the relevant control systems.

DG GROW transactions are carried out under both direct and indirect management modes. The following chart gives an overview of the payments made in 2021⁹. The year 2021 was a transitional year between two Multi-Annual Financial Frameworks.

The following chart shows the 2021 payments where most of the payments are still related to the previous MFF programmes (RAL payments) while payments related to the SMP programme activities (from the current MFF) have been postponed due to the late adoption of the SMP.



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

⁹ This chart represents the outturn on payment appropriations made in 2021, i.e. EUR 299 million, including the administrative expenditure and expenditure under cross-delegation executed by other DGs. The reader is referred to Annex 3 for more details.

In direct management, DG GROW implements its own budget through procurements and grants.

Risk-type /	Grants (e.g. actual costs based, or lump sums, or entitlements)	Procurement (e.g. minor or major values)	Cross-delegations to other DGs (other AOXDs)	Contributions and/or funds to EE (EU Agency, EA, JU)	Delegation / Contribution (EIB, Int-Org, etc)	Other (describe any other expenditure not covered by the	Total Expenditure	NEI, e.g. Revenues, (in)tangible or financial assets & liabilities)
Grants	12965.245						12.965.245	
Procurement		48038.349					48.038.349	
Sub-delegations			2.487.316				2.487.316	
EISMEA (Formerly EASME)				22.916.573			22.916.573	
EIF (COSME Financial Instruments)					141.879.694		141.879.694	
ECHA (Subsidy and Contribution Agreement)				63.595.611	1.626.000		65.221.611	
EUIPO (SMP Contribution Agreement)					1.000.000		1.000.000	
UNECE (Contribution Agreement)					600.000		600.000	
Administrative Expenses						3.633.071	3.633.071	
Totals (coverage)	12.965.245	48.038.349	2.487.316	86.512.184	145.105.694	3.633.071	298.741.859	
<i>Links to AAR Annex 3</i>	<i>Overall total (m EUR); see Table 2 – payments made</i>						<i>n/a</i>	<i>Table 4 – assets</i>

In line with the Financial Regulation, DG GROW's assessment for the reporting requirement is as follows:

- Cases of "confirmation of instructions" (FR art 92.3) – such cases are listed in the DG GROW register of exceptions and non-compliance events which contains 16 cases for 2021 (mainly due to the late adoption of the MFF 2021-27 and the subsequent EC programmes and financing decisions).
- Cases of financing not linked to costs (FR art 125.3) – no such cases at DG GROW for 2021
- Financial Framework Partnerships >4 years (FR art 130.4) - no such cases at DG GROW for 2021, hence Annex 3 table 15 is not filled in.
- Cases of flat-rates >7% for indirect costs (FR art 181.6) – no such cases at DG GROW for 2021
- Cases of "Derogations from the principle of non-retroactivity [of grants] pursuant to Article 193 FR" (FR art. 193.2) – no such cases at DG GROW for 2021

Cost-effective controls are those, which are effective to fulfil the intended control objectives in an efficient manner and at a reasonable cost. In order to conclude on the cost-effectiveness of the controls, it is therefore necessary to assess their effectiveness, efficiency and economy.

1. Effectiveness of controls

In order to be considered effective, controls are expected to meet the internal control objectives and for each of those control objectives result in benefits.

a) Legality and regularity of the transactions

DG GROW uses internal control processes to ensure sound management of risks relating to the legality and regularity of the underlying transactions it is responsible for, taking into

account the multiannual character of programmes and the nature of the payments concerned.

The control objective is to ensure that the cumulative residual error rate by the end of the programme should not exceed 2 %, as determined in the materiality criteria in Annex 5.

DG GROW's portfolio consists of segments with a low error rate, all below materiality. This is the result of both the inherent risk profile of the DG GROW programmes (DG GROW delegating most of its activities to external entities) and the effectiveness of the related control systems. For the 2021 reporting year, no serious control issues were signalled by the operational units (except for the standardisation activities as explained below). From the monitoring and supervision work done and audit reports, there is no indication that the reporting would not be reliable.

In 2021, the controls as defined in the DG GROW control strategy¹⁰ continued to be applied to cover the needs in terms of monitoring the portfolio of DG GROW activities in the light of the new MFF 2021-2027.

Regarding the EU funds managed directly by the Directorate-General via grants and procurement (including the administrative related expenditures), there were no major control weaknesses affecting assurance (no reservation for 2021).

The calculation method of the error rate on the grants to the European standardisation organisations has been reviewed in 2020 based on the recommendation of the Court of Auditors. This methodology takes into account the audited items, which resulted in an overall error rate of 0,85% for the standardisation grants. In 2021, no ex post audits were carried out on the standardisation programme and hence no error rate was detected ex post. However, further to the notification of non-compliance events, the Director-General, as Authorising Officer by Delegation, required an internal in-depth financial and legal desk checks on these activities to have further assurance on the legality and regularity of the transactions concerned. The internal checks did not reveal significant deficiencies in the process. However, as a conservative approach, the same error rate as in 2020 (0,85%) was used for the purpose of the 2021 risk calculation.

Through ex ante financial corrections and recoveries, DG GROW has in place an effective mechanism for correcting errors. During the reporting year, the correction amounted in total to EUR 1.06 million representing 0,3% of the relevant expenditure. The total of the ex ante corrections on the invoices, amounts to EUR 0,6 million.

The DG GROW's relevant expenditure, estimated overall risk at payment, estimated future corrections and risk at closure are set out in Table X : "Estimated risk at payment and at closure" below. The estimated overall amount at risk at payment for 2021 expenditure amounts to EUR 1.41 million, representing 0,5% of the DG's total relevant expenditure for 2021. This is the AOD's best, conservative estimate of the amount of relevant expenditure during the year, which could not be in conformity with the contractual and regulatory

¹⁰ DG GROW Anti-Fraud Strategy and DG GROW Control Strategy - update 2020 ([Ares\(2020\)7726984](#), of 18/12/2020)

provisions applicable at the time the payment was made. This estimated amount diminished significantly compared to 2020 mostly due to the reduction of number of payments in 2021.

The conservatively estimated future corrections for 2021 expenditure amount to EUR 0,05 million. This estimation of errors is theoretical and can be potentially corrected in case of controls and audits on DG GROW expenditure in subsequent years.

The difference between the the estimated amount at risk (EUR 1.41 million) and the estimated amount of future corrections (EUR 0,05 million), results in the estimated overall risk at closure of EUR 1.36 million, representing 0,5% of the DG's total relevant expenditure for 2021.

For an overview at Commission level, the DGs' estimated overall risk at payment, estimated future corrections and risk at closure, are consolidated in the Annual Management and Performance Report.

The table below shows the estimated overall amount at risk.

Table X : Estimated risk at payment and at closure (amounts in EUR million)

The full detailed version of the table is provided in Annex 9.

DG GROW 2021	Payments	Relevant expenditure	Estimated risk (error rate %) at payment		Estimated future corrections and deductions		Estimated risk (error rate %) at closure	
			-3		-4		-5	
-1		-2						
		m EUR	m EUR	%	m EUR	%	m EUR	%
Procurement	48.04	49.13	0.25	0.50%	0	0.00%	0.25	
Grants (Standardisation)	8.71	11.01	0.09	0.85%	0.04	0.35%	0.05	
Grants (Other)	4.25	3.85	0.02	0.50%	0.01	0.35%	0.01	
Administrative Expenses	3.63	3.63	0.02	0.50%	0	0.00%	0.02	
Sub-delegations to other DGs	2.49	2.49	0.01	0.50%	0	0.00%	0.01	
EIF (COSME Financial instruments)	141.88	141.88	0.71	0.50%	0	0.00%	0.71	
EUIPO (SMP)	1	0.00	0.00	0.50%	0	0.00%	0.00	
ECHA (Subsidy and Contribution Agreement)	65.22	62.35	0.31	0.50%	0	0.00%	0.31	
UNECE (Contribution Agreement)	0.6	0.00	0.00	0.50%	0	0.00%	0.00	
DG total without contributions to EA	275.83	274.33	1.41		0.05		1.36	0.5%
EISMEA	22.92	56.78	0.28	0.50%	0	0.00%	0.28	
Total DG with contribution to EA	298.74	331.12						

*Relevant expenditure takes into account the payments made, the new prefinancing and the cleared prefinancing

b) Fraud prevention, detection and correction

DG GROW has developed and implemented its own anti-fraud strategy (AFS) since 2011, on the basis of the methodology provided by OLAF. It is updated every two years. It was last updated in December 2020. Its implementation is being monitored and reported to the management and all necessary actions have been implemented.

The controls aimed at preventing and detecting fraud are similar to those intended to ensure the legality and regularity of the transactions. They are effective and no weakness has been identified in 2021.

Since 2013, the fraud risk assessment is integrated in the annual risk assessment exercise. The updated Anti-Fraud Strategy has been advertised on DG GROW Intranet. It is an

essential element in the development of a strong anti-fraud culture within the Directorate-General. DG GROW puts a strong emphasis on fraud prevention by encouraging proportionate and targeted preventive ex ante controls.

DG GROW is an active member of OLAF's Fraud Prevention and Detection Network (FPDNet) and participated also in a number of sub-groups set up by OLAF focused on various topics (fraud risk assessment, direct management, European Public Prosecution Office, internal cases).

DG GROW also contributed to the Commission anti-fraud strategy CAFS (adopted by the College in April 2019) and supports in particular the implementation of the action 42 of the CAFS regarding procurement aspects : DG GROW is in charge of promoting the voluntary ex ante assessment mechanism for the compliance of large-scale infrastructure projects with EU procurement rules.

DG GROW also followed up on 100% of OLAF's *financial* recommendations. There is one OLAF case with financial recommendations, monitored closely by DG GROW services.

DG GROW smoothly implements its AFS, inspired by the CAFS and aiming at improving prevention and detection of fraud. It further aims at ensuring an adequate reaction to any suspicion of fraud at DG GROW. In that context, a training on anti-fraud issues was organised in 2021 together with OLAF in the frame of the "GROW Financial days" to raise fraud awareness within DG GROW staff. On a regular basis, DG GROW organises trainings for newcomers on ethics and anti-fraud. All information related to fraud risk management is published on DG GROW's Intranet and updated whenever needed.

To conclude, on the basis of the available information, DG GROW has reasonable assurance that the anti-fraud measures in place are overall effective.

c) Other control objectives: safeguarding of assets and information, reliability of reporting

Safeguarding of assets and information

Since 2020, from an accounting point of view, DG GROW is considered a "non-large" DG. The cut-off exercise of DG GROW is performed by DG BUDG except for balancing subsidies to agencies (EASME and ECHA). This exercise is based on the accounting data provided by the DG GROW Accounting Correspondent. This arrangement led to the reduction of accounting controls on some items (such as the assets) compared to those performed before 2020.

Reliability of reporting and accounting

Taking into account the legacy of the past MFF, 47,5% of the DG GROW payments concerns the management of the two financial instruments established under the legacy COSME programme: the Loan Guarantee Facility (LGF) and the Equity Facility for Growth (EFG). Both instruments are managed by the European Investment Fund (EIF). They are internally closely monitored based on the regular reporting provided by the EIF and in close cooperation with DG BUDG.

Based on the information available in the Audit Reports prepared by external auditors on both financial instruments and the DG GROW verification process (operational and financial checks), DG GROW has a reasonable assurance in all material aspects that the EU funds transferred to the EIF are used for the intended purposes, including regarding legality and regularity. This reasonable assurance will be further substantiated by an external auditor's opinion on the Financial Statements 2021.

Additionally, DG BUDG provided a clean validation of the local systems of DG GROW in December 2021¹¹, concluding on the absence of outstanding recommendations from previous validations of local systems to be followed-up.

Key DG indicators on control effectiveness	DG results for the reporting year
Value of errors detected on grants and procurement contracts	€ 645,696
Percentage of the errors detected in comparison to the total payments on grants and procurement in 2021	1.06%

Ex ante controls are performed in order to detect potential errors in the costs claimed by the contractors. The error found represents 1,06% of the total payments on grants and procurement in 2021. It concerns wrong amounts, calculation errors or underperformance.

The results of these controls before final payments are positive to have a reasonable assurance on the total amount of costs paid.

2. Efficiency of controls

DG GROW manages a large portfolio of activities involving different ways of implementation.

Additionally, in 2021 the DG GROW underwent a significant reorganisation which entered into force as of 16th March 2021. Activities were streamlined in a more efficient and optimal way to better fit to the objectives set up for the DG and properly address the challenges of the new MFF 2021-2027.

¹¹ Validation of local systems in accordance with Art. 77(1)(e) FR. Assessment of accounting risk – GROW ([Ares\(2021\)7538195](#) – 06/12/2021)

DG results for the reporting year		
Key DG indicator on control <u>efficiency</u>	Grants	Procurements
Complaints received from unsuccessful economic providers	0	0
Number of new cases received by the Ombudsman in 2021	2	
Number of legal proceedings initiated by contractors or economic providers against the Commission relating to grant / procurement procedures	0	0
Number of instances of overriding of controls in relation to grant / procurement procedures	0	0
Past due critical and/or very important audit recommendations	0	0
Average time to publication of selection results (days)		51.0
Coverage of first level ex ante controls		100 % of all commitments and payments
		100 % of all tender documents and evaluation reports
Coverage of second level ex ante controls		100 % of all tender documents and evaluation reports
Number of positive / suspensive / negative opinions issued on the launch and evaluation of procurement procedures	62/5/0	
Average time to grant (TTG) (days)	67.3	
Average time to pay (TTP) (days)	17.2	
Average time to inform applicants of the outcome of the evaluation of the application (TTI) (days)	60.8	
Average days of suspension (days)	31	
Percentage of payments suspended in comparison to all payments executed	8.1%	

Procurement

For DG GROW own procurements, the number of internal positive opinions issued on the launch and evaluation of procurement procedures is very high (93%) and is comparable to previous years (89% in 2020). The average time to publication decreased in 2021 (51 days compared to 63 days in 2020), which clearly shows an improvement in the process thanks to the use of the corporate tool eProcurement.

Additional factor that demonstrates the efficiency of the procurement process is that in 2021, no complaint was received from unsuccessful economic operators.

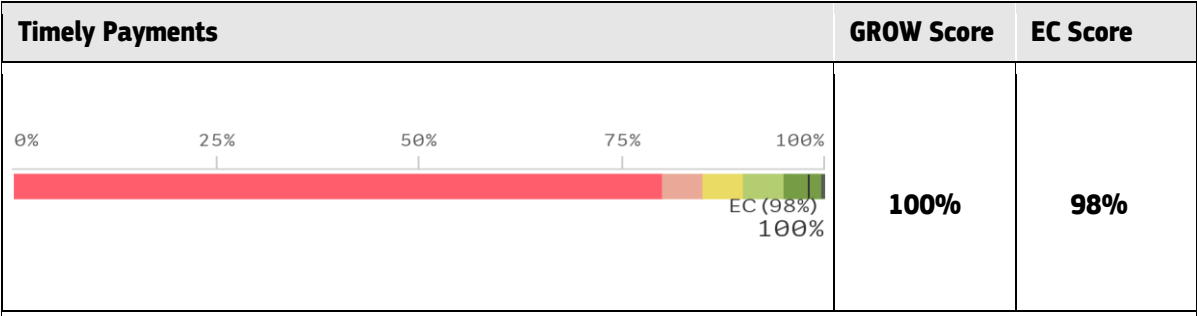
Grants

The average Time-To-Grant (TTG) indicator slightly increased compared to 2020 (from 52 days in 2020 to 67 days in 2021).

On the other hand, the Time-To-Inform (TTI) significantly decreased in comparison to 2020 (from 88 days in 2020 to 61 days in 2021) – this clearly shows an effort to provide beneficiaries even more quickly than in the past with information on the tender process results.

The average days of suspension slightly decreased from 38 days in 2020 to 31 days in 2021, showing better efficiency in addressing pending issues or requests for clarification on costs submitted by beneficiaries.

In 2021, 100% of DG GROW payments in value were made in due time, for all activities managed, in comparison to the EC result of 98%.



In 2021, 100% of DG GROW’s payments were made in due time.

The Time-To-Pay (TTP) indicator for all activities managed remained as in 2020 at excellent levels, reaching 17 days on average.

Annex 4 of the AAR 2021 summarises the annual result of the standard financial indicators measurement : 10 standard financial indicators are presented in details. For all of them, DG GROW reached the common targets. DG GROW is one of the best performing DGs in the Commission as it reached 100% implementation of its payments and commitments appropriations in 2021.

DG GROW received in 2021 two Ombudsman cases. All of them were opened and closed within the year. No financial or reputational risk has been recorded.

Based on an assessment of the most relevant key indicators and control results, DG GROW has assessed the efficiency of the control system and reached a positive conclusion.

3. Economy of controls

Following the Commission central services’ guidance, the cost of the controls at Commission level is assessed by the cost of the different control stages. The overall assessment for each management mode is obtained from the ratio between all those costs and the total amount paid in the year for the related management mode and according to a corporate methodology for the estimation, assessment and reporting on the cost-effectiveness of controls.

DG GROW internal costs are an estimate, and may include some overstatements.

The Full Time Equivalent (FTEs) used for the calculation have been provided by the different Directorates of DG GROW.

Cost of control - direct management

The cost of control for 2021 in direct management could be detailed as follows:

DG results for the reporting year - Direct management		
Common indicators on <u>cost of control</u>	Grants	Procurements
Percentage of overall cost of control of grant / procurement process in comparison to total expenditure <u>executed</u> during the year	4.91%	7.82%
Percentage of overall cost of control of grant / procurement process in comparison to total expenditure <u>executed</u> during the year - Ex Ante	4.86%	7.18%
Percentage of overall cost of control of grant / procurement process in comparison to total expenditure <u>executed</u> during the year - Ex Post	0.05%	0.64%
Overall cost of control (grant/procurement)	€ 636,926	€ 3,754,830
Overall cost of control (grant/procurement) - Ex Ante	630,086	3,447,030
Overall cost of control (grant/procurement) - Ex Post	6,840	307,800
Average number of ongoing contracts (grant/procurement) managed per full time equivalent	9.11	15.37
Percentage of costs of control related to the evaluation and selection procedure in comparison to the total value of grants / procurement contracted	2.12%	3.7%
Average value of ongoing grant / procurement agreements managed per full time equivalent	€ 6,161,129	€ 3,857,483
Average project management costs per ongoing grant / procurement agreement	€ 10,271	€ 4,242
Total Costs of ex post audits	€ 0	

In 2021, on average 15 on-going procurement contracts have been managed per FTE (vs 16 in 2020) while keeping the same level of controls to assure the quality of the delivered services. In detail the total number of running procurement contracts for the year were 372 and they were managed by 24 FTEs.

The overall cost of control concerns mainly DG GROW financial resources on the procurement contracts: it dropped to 7,8% in 2021 compared to 11,6% in 2020 on the procurement activities.

For the grants managed by DG GROW in 2021, the ex ante and ex post controls reduced errors in the beneficiaries' cost claims. The cost of control for the grants significantly decreased compared to 2020 (5% for 2021 vs 12% in 2020). The costs of controls on grants in 2021 are closer to the ones of 2019 (8% for that year).

The decrease in the percentages for both grants and procurement costs of control is due to the combination of several factors:

- due to some delays in the signature of contracts: some of them were awarded in 2021 while most of the ex ante controls took place already in 2020 or early 2021.
- due to the late adoption of the SMP – in April 2021 and the low start of implementation.
- thanks to the optimisation of the resources further to the reorganisation of the DG as of the 16th March 2021.

DG GROW continued in 2021 to promote corporate initiatives in financial management, such as eProcurement¹² (where DG GROW is Business Process Owner of eSubmission and eEvaluation), eGrants as well as the tools used for the management of expert groups. Moreover, DG GROW was very involved in the development of a corporate EC multiannual programming and planning tool. Additionally, the eSignature (Qualified Electronic Signature) was successfully implemented in 2021: at the end of the year the QES became the standard for all the authorising officers signing legal commitments on behalf of DG GROW. 2021 was the 2nd consecutive year of the COVID-19 pandemic with consequences affecting various aspects of operations within DG GROW. DG GROW used some of the measures allowed to maximise flexibility in managing grants and procurement. Appropriate mitigating measures were put in place, such as: physical collection and dispatch of the contracts and invoices during the lockdown; extension of deadlines of the calls for tender, acceptance of signed copies of contracts and invoices in pdf format submitted by email. While taking up these additional measures, DG GROW continued to guarantee the sound financial management of its activities and maintained its excellent key performance indicators.

The “GROW Light” workflow continued to be in force at DG GROW in 2021. This was one of the key measures introduced in the past with the aim to reduce the administrative burden providing a simplified workflow for approval of all payments below EUR 5 000. Ex post controls of randomly sampled GrowLight transactions are carried out every year to ensure no deficiencies on these transactions. 43% of the 2021 “GROW Light” transactions were thus verified and the result of these checks was very positive. This proves again that efficient workflows for financial transactions in DG GROW are in place helping to achieve optimal results in the most efficient way.

In summary, the level of costs of control in direct management were very cost-effective in 2021 for both procurement and grant processes. It improved compared to previous years because it is below the 10% (the usual benchmark used within the Commission).

Cost of control - indirect management

DG results for the reporting year - <i>InDirect management</i>		
Common indicators on <u>cost of control</u>	Entrusted Entities	EIF
Overall cost of control of supervision process	€ 232,733	€ 4,344,853
Percentage of overall cost of control of supervision process in comparison to the total <u>annual</u> amount delegated	0.35%	3.06%
Remuneration fee paid (to international organisations, agencies, EIF)	€ 0	€ 8,049,286
Percentage of cost of remuneration fee paid to entrusted entities in comparison to the total annual amount delegated excluding any remuneration paid	0.00%	6.01%

¹² Since 2020, the use of PPMT (ePreparation) is compulsory at DG GROW to launch calls for tender above the Directive threshold (EUR 139.000).

DG GROW implemented all necessary controls at operational and financial levels to ensure that all requirements are fully respected. The cost of controls is highly outweighed by their benefits.

For the COSME financial instruments, the overall cost of control level is very much comparable to the one from last year (3,06% in 2021 vs 3,56% in 2020). This cost of control of the supervision process includes also the management and administrative fees paid to the EIF for 2021.

The remuneration fee paid to the EIF significantly decreased in 2021 compared to 2020 (8 MEUR in 2021 vs 19.2 MEUR in 2020) which is in line with the funds delegated to the EIF also decreasing in 2021 compared to 2020 (142 MEUR in 2021 vs 348 MEUR in 2020). Hence the overall percentage of cost of control on the payments to the EIF with relation to financial instruments, representing around 48% of DG GROW payments in 2021, remained stable.

Entrusted entities mainly involve decentralised agencies - the European Chemicals Agency (ECHA) and the European Union Intellectual Property Office (EUIPO) with whom DG GROW signed new contribution agreements in 2021. The cost of control level (0.35%) is very low in comparison to the total annual amount delegated and is comparable to the one from 2020 (0,31%).

The control strategy in indirect management is considered to be cost-effective.

In summary, DG GROW managed to keep the indicators stable or even to improve some of them compared to those of last year assuring the adequate level of cost-effectiveness of the controls.

4. Conclusion on the cost-effectiveness of controls

Based on the most relevant key indicators and control results, DG GROW has assessed the effectiveness, efficiency and economy of its control system and reached a positive conclusion on the cost-effectiveness of the controls for which it is responsible. Some key control indicators, such as the cost of control for instance, were largely improved while others remained consistent compared to previous years.

DG GROW has a stable control environment and its control strategy is consistent with the nature of activities carried out. Overall, DG GROW has good performance indicators and error rates for all programmes are far below materiality. The costs of control levels are well below 10% and considered as satisfactory taking into account the profile and funds managed at DG GROW.

DG GROW is of the opinion that the current control system applied is the best suited to fulfilling the relevant control objectives efficiently and at a reasonable cost. It represents a good balance between the invested efforts (internal control costs and remuneration fees), the obtained error rates (effectiveness of controls) and delivery of objectives (efficiency).

The declaration of assurance (Section 2.1.5) includes no reservation for the expenditure categories or control systems concerned. Consequently, it is foreseen to maintain the current control strategy last updated in December 2020.

2.1.2. Audit observations and recommendations

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

The Directorate-General is audited by both internal and external independent auditors: the Internal Audit Service (IAS) of the European Commission and the European Court of Auditors (ECA).

The Directorate-General has not received any critical recommendations arising from the IAS and ECA audits. The Director-General is informed on the conclusions and the main recommendations stemming from the work of the internal and external auditors. A regular monitoring, performed by the Unit B2 "Budget, Finance, Single Market Programme" in 2021, ensures the timely implementation of all recommendations. An inventory of all open IAS and ECA recommendations at end 2021 is kept in DG GROW services and available at request.

Internal Audit Service (IAS)

At end of 2021, all open recommendations issued by the IAS have been implemented and there are no action plans for review submitted to the IAS. There was only one open IAS audit for DG GROW during the year: "*Performance of DG GROW's treatment of stakeholders' complaints concerning the internal market*", which has been finalised by the IAS and closed on 20 December 2021. There were four recommendations rated as "important". The DG GROW Action plan for their implementation has been approved and submitted to the IAS in March 2022.

In its contribution¹³ to the 2021 AAR process of DG GROW, IAS states that : *1/ Management has accepted all the recommendations issued in 2019-2021; 2/ Management has adopted action plans to implement all the accepted recommendations. The IAS considers that these action plans are adequate to address the residual risks identified by the auditors except for the audit on the performance of the treatment of stakeholders' complaints concerning the internal market; 3/ The implementation of these action plans is monitored through reports by management and follow-up audits by the IAS.*

The IAS therefore concluded that the internal control systems in place for the audited processes are effective.

¹³ IAS Contribution to the 2021 AAR process of DG GROW ([Ares\(2022\)1092018](#), dated 15/2/2022)

European Court of Auditors (ECA)

ECA's Annual Report 2020

The assessment of the legality and regularity of DG GROW transactions and the effectiveness of its supervisory and control systems, are treated in Chapter 4 of the Court's Annual Report - *Competitiveness for growth and jobs*, representing 13,9% of the total 2020 EU expenditure. An overall material error rate of 3,9 % was found for 2020, close to the 4% error rate in 2019 under Chapter 4. However it was not related to DG GROW transactions.

ECA Statement of Assurance (DAS) 2020

One transaction has been sampled by the ECA for DG GROW in the frame of the Statement of assurance for the financial year 2020. In its opinion¹⁴, the ECA did not have any specific comments related to the transaction sampled in the frame of the Declaration of Assurance (DAS).

Implementation of ECA recommendations

At end 2021, all actions plans on recommendations from the ECA where DG GROW is the lead Directorate-General have been implemented or partially implemented, there are no delayed ones. There are no "critical" recommendations from the ECA audits to DG GROW. There are two open "very important" recommendations with the status "partially implemented" and with the expected completion date not yet "due".

ECA Special Reports

DG GROW was involved mainly in the following Special Reports published in 2021:

- Performance audit "*Passenger rights during COVID-19 crisis*" – published in June 2021 (DG GROW was associated DG)
- Performance audit "*Energy Efficiency in Enterprises*" – published in December 2021 (DG GROW was associated DG)
- Performance audit "*EU co-funded investments in tourism*" - published in December 2021 (GROW was lead DG)
- Review on "*EU public health response to Covid-19*" – published in January 2021
- Review on "*Basic Digital Skills for Adults*" – published in February 2021
- Review on "*Third countries contributions*" – published in March 2021

On 31 December 2021, 10 ECA performance audits (where DG GROW is involved) were still ongoing. For two of them, DG GROW is the lead audited DG: "*EU support to SME Internationalisation*" and "*Protection of Intellectual Property Rights in the Single Market*",. For eight of them, DG GROW is associated DG: "*Effectiveness of the ERDF support to SMEs*", "*Does the Commission's management of external consultancy services ensure value for*

¹⁴ Statement of assurance (SoA) for the financial year 2020 - DG GROW ([ARES\(2021\)3989607](#)), dated 18/06/2021)

money”, “EU’s eGovernment Strategy”, “EU reliable statistics”, “Circular economy”, “EU covid-19 vaccine procurement”, “Reliability of EU funds recipients”, “SMEs Start ups and Scale ups”.

In 2021, DG GROW was notified about four upcoming ECA audits in which DG GROW will be the lead audited DG: *“Microchip industry”, “Recognition of professional qualifications within the EU”, “Becoming the World’s second biggest battery producer by 2024” and “Cars CO2 emissions and big data”.*

As an overall conclusion, based on the assessment of the risks underlying the auditors’ observations combined with the measures taken in response, DG GROW is of the opinion that the recommendations issued do not raise any material implications on the assurance since these recommendations are not “critical” nor “very important”. Therefore, the current state of play does not lead to any assurance related concerns on the activities performed by DG GROW.

2.1.3. Assessment of the effectiveness of internal control systems

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

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

DG GROW annually assesses the **effectiveness of its internal control systems**¹⁵, including the internal control processes in place at the level of its implementing bodies in accordance with the methodology established in the “Implementation Guide of the Internal Control Framework of the Commission”. The assessment relies on extensive monitoring throughout the reporting year, supported by various information sources such as: an assessment of the functioning of the components and principles of the internal control framework set up by the DG; an assessment of audit findings and the implementation of recommendations (both from the IAS and the ECA); a register of detected exceptions, non-compliance events and internal control weaknesses, identified both by the management and by auditors in their audit reports; management assurance declarations outlining the control environment and any control issue; annual risk assessment; and internal control monitoring criteria.

The **functioning of the internal control systems** has closely been monitored throughout 2021 by the systematic registration of exceptions and non-compliances with the rules and procedures and of internal control weaknesses. The underlying causes behind

¹⁵ “State of the internal control at DG GROW for 2021 ([Ares\(2022\)1714392](#), dated 8/3/2022)

these exceptions and weaknesses were analysed and mitigated as necessary. All related audit recommendations were either successfully implemented as reaffirmed by auditors in their follow-ups, are ready for review or are currently under implementation, mitigating any significant risks. Further enhancing the effectiveness of the DG GROW control arrangements in place by inter alia taking into account any control weaknesses reported and exceptions recorded is an on-going effort in line with the principle of continuous improvement of management procedures, while taking into account the cost-effectiveness and risk differentiation of controls.

DG GROW's internal control assessment relies on a number of monitoring measures and sources of information to obtain a complete data set covering all aspects of DG GROW's operations. The Internal Control Monitoring Criteria (ICMC) are part of the building blocks for assurance on the functioning of the internal control systems. These criteria are also the basis for the annual assessment of the DGs' internal control framework in the context of the Annual Activity Report. They provide a sound basis for effective internal control, allowing for regular monitoring and annual assessment.

Based on the above, the Director in charge of Risk Management and Internal Control reported on the state of internal control and provided his opinion to the Director-General. Taking into account all these elements, no issues were raised that may impact assurance.

Concerning the overall state of the internal control systems, the DG complies with the three assessment criteria for effectiveness, i.e. (a) staff has the required knowledge and skills, (b) systems and procedures are designed and implemented to manage the key risks effectively, and (c) there are no instances of ineffective controls that have exposed the DG to its key risks.

For the achievement of its objectives, DG GROW also relies on executive and decentralised agencies, as well as on a close cooperation with various partners and international organisations. With the further delegation of budget implementation, DG GROW focuses more on policy making and supervision and less on direct project management. It is worth mentioning that DG GROW enhances, as a continuous effort, the management of the available resources. An important reorganisation of the DG took place on 16 March 2021 which led to optimising processes and a more efficient way of working, to fit with the objectives set in the frame of the new MFF 2021 – 2027.

DG GROW has assessed its internal control systems during the reporting year and has concluded that they are effective, and the components and principles are present and functioning as intended.

2.1.4. Conclusions on the assurance

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

The information reported in Section 2.1 stems from the results of management and auditor monitoring contained in the reports listed. These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the

completeness and reliability of the information reported and results in a comprehensive coverage of the budget delegated to the Director-General of DG GROW.

DG GROW lifted its reservations on the legacy programmes FP7 and CIP already in the AAR 2020 as there were no more payments on these programmes. In 2021 there are no significant weaknesses reported in Sections 2.1.1, 2.1.2 and 2.1.3, for consideration of their potential impact on the declaration of assurance, and hence no elements leading to a reservation.

In 2021, DG GROW has managed its resources to the best effect for the intended purposes, in line with the Financial Regulation and according to the principles of sound financial management, legality and regularity.

The internal control systems in the DG are in place, and they function effectively to the extent that they enable the Director-General to give her assurance on the resources used. With the help of the internal control systems, weaknesses could be detected and corrected with relevant measures in place.

Overall Conclusion

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

2.1.5. Declaration of Assurance

Declaration of Assurance

I, the undersigned,

Director-General of DG GROW

In my capacity as authorising officer by delegation

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

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

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

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

Brussels, 31 March 2022

(e-signed)

Kerstin JORNA

2.2. Modern and efficient administration – other aspects

For more details on Human Resource management and for the results of the Human Resource Key Performance Indicators in 2021 for DG GROW see Annex 10

2.2.1. Human resource management

2021 was a challenging year for HR in DG GROW and was also the year of the redaction and adoption of DG GROW's local HR Strategy with the help of the HR Sounding Board created before. This HR Sounding board was also consulted early 2021 on issues linked to "new normal" such as telework, problems colleagues are facing and general well-being issues. As concrete action following the result, a document "GROW digital etiquette" has been adopted and made available for all colleagues.

Since summer 2020, DG GROW was preparing a major reorganisation with the aim to better align DG GROW policies with the priorities of this Commission. The reorganisation of DG GROW was successfully implemented on 16 March 2021, after extensive consultations of staff and managers. To fine-tune the allocation of staff amongst the units and political priorities, as announced in the local HR Strategy also adopted in 2021, DG GROW prioritised internal publications in 2021 and created a task force on the industrial scale-up of COVID-19 vaccines to pool talents from different teams to a single entity for a better coordination and visibility of the file. Detailed mission statements for all units were finalised through a bottom up and consultative process.

Other actions from the local HR Strategy were fully implemented, such as commitment to interview all eligible internal candidates having the profile when a vacant post is published and the development and diffusion of DG GROW digital etiquette to establish rules with hybrid working methods.

At the request of the SG Equality Task Force and in cooperation with DG GROW's equality network, the DG's Equality Coordinator established an equality mainstreaming work plan including operational actions and initiatives for the period September 2021 until December 2022. The internal dimension of the work plan focuses on internal staff actions while the external dimension concerns actions to promote equality, diversity and inclusion in our DG's policy areas such as the Single Market, industrial ecosystems, entrepreneurship and social economy.

Concerning the internal dimension of the DG GROW equality mainstreaming work plan, the main achievements in the remit of the HR BC team are the development of a cross-DG female talent development programme to promote female talent networks and mentoring programmes, and achieving our female targets on Head of Unit Management appointments. DG GROW also managed to reach 50% of female Deputy Heads of Unit following the reorganisation.

As concerns internal communication, a number of actions were organised to improve staff engagement via different channels and the knowledge of the new DG structure following a reorganisation. Those actions helped staff to feel a valuable part of a community, nourish GROW internal culture and develop their understanding of the political priorities.

2.2.2. Digital transformation and information management

Digital Transformation

By 2022, the Commission will be a digitally transformed, user-focused and data-driven administration — a truly digital Commission. In line with this vision expressed in the EC Digital Strategy, DG GROW Digital Strategy 2020-2024 is also centred on harnessing the power of data and data analytics in support of its policies, without compromising on security and privacy. The two key prerequisites and enablers in this regard are: a) the establishment of sound data management practices, and b) the launch of a more efficient data analytics supply chain that brings together data-suppliers, users and experts.

In this regard in 2021 a dedicated Data unit was created in DG GROW to drive its data analytics agenda. The 2021 focus was thus on making best use of the new organisational set-up to expand the data analytics services offer, including testing new sources and techniques of business intelligence such as Microsoft Power BI, while strengthening compliance with the corporate rules and standards of data management and governance; and further developing the collaborative culture for data with the creation and activation of the DG GROW data network, with ambassadors in all units. The need of a shared data infrastructure was also identified, to be further explored in 2022 in close collaboration with DIGIT's data platform service.

As for digital tools, the priority was given in 2021 to the extended piloting and deployment of Microsoft Office 365, following the initial pilot phase in 2020. The use of this tool has improved collaboration and the capacity to work in pandemic times. From a technical perspective, the focus of 2021 was in maximising benefits from the different cloud offerings available, increasing maturity in the use of Cloud technologies and upskilling the B3 team in this area. Besides upskilling, a project was selected for a pilot cloud native solution in its evolution phase of addressing legacy IT.

At corporate level, DG GROW has lead responsibilities for delivering action five of the Information Management Work Programme 2020-2021 'Foster the use of single market data to support policymaking'. The main priorities for 2021 were Data for Recovery, Data for Enforcement, Data for industrial ecosystems and Members States, as well as for the identification of obstacles to the functioning of the Single Market. One multi-annual flagship deliverable – the Market Surveillance Modernisation Programme – retained its central place in the DG GROW digital transformation agenda in 2021.

Among the biggest achievements of the year is the good progress achieved at information system rationalisation level. Not only did DG GROW continue to deliver on the Coldfusion transformation programme, aiming to phase out an obsolete technology that was the basis of many of its systems, but more importantly, it has also set the foundations for further rationalisation of its information systems. In this context, the DG defined the IT STREAMLINE@GROW programme that is also in line with both the dual pillar approach and its core principles Re-Use, Before Buy, Before Build and the corporate cloud strategy (by promoting a cloud-ready IT architecture for all new developments) to address the legacy, currently being promoted by the Commission IT Governance bodies.

In the area of information security, DG GROW managed to bring its portfolio of information systems in full compliance with the new corporate security risk management methodology a year earlier than initially planned.

Data protection

In 2021, the Data Protection Coordinator of DG GROW addressed the consequences of the reorganisation of the DG in terms of protecting personal data. This consisted in the review and update of all existing records of processing operations in the Data Protection Management System (DPMS), as well as an update of all related privacy statements. DG GROW further replied to a call by the Data Protection Officer in the third trimester to proceed to an update of its records.

The Data Protection Coordinator of DG GROW further implemented and improved the actions and objectives of the DG's Personal Data Protection Action Plan, mainly by conducting awareness raising activities through emails, notes, bilateral and multilateral meetings, including targeted visits to Unit meetings, practical trainings and information sessions. As a result, Units nominated contact points, most of them followed trainings or information sessions, created or updated procedures, records and privacy statements, carried out legislative consultations of the European Data Protection Supervisor (EDPS) and correctly addressed data protection considerations in the design of new IT systems and websites.

DG GROW continuously assesses its processing activities in light of the requirements of the Schrems II judgment and ensures that its processing operations comply with EU data protection law.

Document Management

2021 started with a complex reorganisation where almost no GROW service was left unaffected. Following that, 2021 was a time of stabilisation in the functioning of the Document Management Team. The DG GROW Document Management Officer was recruited and started in March 2021. The following tasks were the main focus in 2021:

- The DG GROW DMO team ensured a thorough review of the reorganisation including the finalisation on the transfer of files to the new units, review of the frozen category files, coordination among services on the physical files and preparation of transfer to the historical archive.
- The DMO took the decision to transfer the ownership of each virtual entity to their appropriate service in Ares so to ensure a better business continuity. The DMO also decided to centralise the creation of files and provided necessary documentation and training to the units regarding the new procedure to follow.
- The DG GROW DMO was also appointed DG DEFIS DMO on the basis of the Memorandum of Understanding between DG GROW and DG DEFIS. Until DEFIS reached full independence, the Document Management Team was also responsible for the document management of the Directorate-General DEFIS according to this agreement.
- The Document Management Correspondents network continued to operate providing a way to distribute information and channel questions from the units. The Document

Management team continuously used it also to raise awareness of colleagues on how to properly use ARES: what documents need to be registered in ARES, what is a good filling plan, as well as to spread information about the proper use of the new data protection flag.

- The DG GROW COMPASS was launched as an interactive tool on the allocation of files within DG GROW. It has been presented to all units and is accessible on the Intranet. It has proven to be a very useful tool for performing attributions.

2.2.3. Sound environmental management

Due to the pandemic situation in 2021, DG GROW reduced drastically its missions and organisations of meetings and conferences. The use of virtual meetings rose without the possibility for the DG to analyse the impact on the environment of this huge traffic of data via the web. To reduce the paper waste and to be more efficient while the offices were closed, DG GROW also put in place on a large scale the electronic signature of the legal commitments .

DG GROW staff follow Eco-Management and Audit Scheme (EMAS) best practices such as drinking tap/dispenser water, recycling paper and plastic and turning off lights and computers when leaving the [home] office. Many colleagues walk, cycle or drive hybrid/electric cars to commute to the office. On the policy side for EMAS, DG GROW ensured that financing products are put in place under the SME window of InvestEU that support the green transition of SMEs and small mid-caps. The Guidance to help public buyers integrate social considerations into public procurement and the Guidance to help public buyers boost innovation procurement were adopted respectively in May and June 2021. As a follow up, DG GROW held a series of webinars to promote sustainable procurement and disseminate good practice (i.e., for including green and social criteria in procurement procedures). The DG also provided advice and suggestions bilaterally to colleagues in DG HR, OIB and DG BUDG on sustainable procurement when needed. The DG also provided internal training along with DG HR and DG ENV (latest one end of 2021 to JRC). The DG is currently undertaking a study that looks at the CO2 emissions of e-commerce delivery; the finalisation is scheduled for March 2022. It will feed into its work on how the postal and parcel services can become more environmentally-friendly and correspond to the aims of the Green Deal. Through advocacy work, the DG has actively contributed to the adoption of a number of State aid tools that will contribute towards enabling the green transition.

2.2.4 Examples of economy and efficiency

In 2021, DG GROW continued the work from the previous years to propose measures both at the corporate level and GROW specific ones in a number of areas in accordance with the overall corporate strategy to reduce the administrative burden and facilitate the day-to-day work while being more efficient on several aspects:

- DG GROW underwent a significant reorganisation of its services, which entered into force on 16 March 2021 and allows services to work in a more efficient and optimised way in order to best fit the DG policy objectives related to the new MFF 2021 – 2027.

- DG relevant services were actively involved in the business development of the new eProcurement (DG GROW being Business Process Owner of eSubmission and eEvaluation) and DG GROW staff was regularly encouraged to systematically use the eProcurement (PPMT) for low and very low value contracts.
- DG relevant services were also actively involved in the business development of the corporate multiannual planning and programming tool necessary to support the implementation of the multi-DGs programmes.
- The qualified electronic signature (QES) was successfully implemented in the DG and became the standard for all the authorising officers signing legal commitments.