

Annual Activity Report 2020

Annexes

Directorate-General Internal Market, Industry,
Entrepreneurship and SMEs

(DG GROW)

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

“I declare that in accordance with the Commission’s communication on the internal control framework¹, the overall state of internal control in the DG has been reported to the Director-General.

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

Brussels, 31 March 2021

e-Signed

Carlo Pettinelli

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

¹ C(2017)2373 of 19.04.2017.

ANNEX 2: Performance tables

Objectives and indicators

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

General objective 1: A Europe fit for the digital age

Impact indicator 1: Aggregate score in the Digital Economy and Society Index (DESI)

Explanation: DESI is a composite index that summarises relevant indicators on Europe's digital performance and tracks the evolution of EU Member States in digital competitiveness. Higher values indicate a better performance

Origin of the indicator: European Commission

Source of the data: [DESI](#)

Methodology for calculating the indicator: The DESI index is calculated as the weighted average of the five main DESI dimensions: 1 Connectivity (25%), 2 Human Capital (25%), 3 Use of Internet (15%), 4 Integration of Digital Technology (20%) and 5 Digital Public Services (15%)

Baseline (2019)	Interim milestone (2022)	Target (2024)	Latest known result (2020)
52.45	Increase	Increase	52.62

Specific objective 1.1: European enterprises make the digital and green transition

Related to spending programme(s): No

Result indicator 1: Percentage of enterprises in the EU using Big Data

Explanation: In recent years, the quantity of digital data created, stored and processed in the world has grown exponentially. Digital imprints generated by governments and public institutions, businesses, associations and individuals, given their volume, variety and velocity, are referred to as 'big data'.

Source of data: Integration of Digital Technology, Europe's Annual Digital Progress Report based on Eurostat data [desi 4a3 bigdat](#)

Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known result (2018)
12.3%	Increase	Increase	12.3%

Result indicator 2: Share of the environmental economy in the overall GDP in the EU

Explanation: It measures the progress towards the green transition of the European economy towards

Source of data: Eurostat env_ac_egss2

Baseline (2017)	Interim milestone (2022)	Target (2024)	Latest known result (2017)
2.2%	Increase	Increase	2.2%

Specific objective 1.1 Indicator on simplification and burden reduction

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

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

Source of data: DG GROW internal monitoring

Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known result (planned for 2021)
0 out of 0	Positive trend	Positive trend	1 out of 2

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

Related to spending programme(s): Yes

Result indicator: % of SMEs selling cross-border online

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

Source of data: Annual DESI reports, European Commission based on Eurostat data

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

Specific objective 1.2: Indicator on simplification and burden reduction**Result indicator: Proportion of proposed legislative revisions that include burden reduction measures**

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

Source of data: DG GROW internal monitoring

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

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

Related to spending programme(s): No

Result indicator 1: Intra-EU trade in goods

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

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

Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known result (2020)
20%	Increase	Increase	No data available

Result indicator 2: Intra-EU trade in services

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

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

Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known result (2020)
7.4%	Increase	Increase	No data available

Specific objective 1.3: Indicator on simplification and burden reduction

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

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

Source of data: DG GROW

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

Specific objective 1.4: Promote compliance with EU 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. The average duration is calculated in months as from the sending of the letter of formal notice. The infringement cases initiated for non-communication of national transposition measures are excluded from the calculation.

Source of data: DG GROW + NIF database

Baseline 1/12/2019	Interim milestone 1/12/2022	Target 1/12/2024	Latest known result 1/12/2020
18.2 months	Maximum 24 months*	Maximum 18 months	25.5 months

GROW pending cases not yet sent to the Court (duration in months since the sending of the letter of formal notice)

The milestone is longer than the baseline as it takes into account the impact of the COVID-19 crisis on the handling of infringements and the transfer of a number of non-communication cases with short duration from DG GROW to DG DEFIs and DG HOME in 2020.

Specific objective 1.4: Indicator on simplification and burden reduction

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

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

Source of data: DG GROW

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

General objective 2: A European Green Deal**Impact indicator 1: Size of the green economy**

Explanation: The environmental goods and services sector comprises parts of the economy that generate environmental products, i.e. those produced for environmental protection or resource management. Gross value-added represents the contribution made by the production of environmental goods and services to the gross domestic product in million euros.

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

Baseline (2017)	Interim milestone (2022)	Target (2025)	Latest known result (2017)
2.2%	Increase	Increase	2.2%

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

Related to spending programme(s): No

Result indicator: Share of circular materials

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

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

Baseline (2017)	Interim milestone (2022)	Target (2024)	Latest known result (2019)
11.2%	Increase	Increase	11.9%









Specific objective 1.1: Indicator on simplification and burden reduction**Result indicator: Proportion of proposed legislative revisions that include burden reduction measures**

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

Source of data: DG GROW internal monitoring

Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known result (planned for 2021)
0 out of 0	Positive trend	Positive trend	1 out of 2

Main Policy outputs 2020






General objective: A Europe fit for the digital age			
Specific objective 1: European enterprises make the digital and green transition			
Main outputs in 2020:			
New policy initiatives			
Output 	Indicator 	Target 	Status 
 Industrial Strategy	Commission adoption	Q1 2020	✓ 10/03/20
 White Paper on Artificial Intelligence	Commission adoption	Q1 2020	✓ 02/02/20
Action Plan on Critical Raw Materials	Commission adoption	Q3 2020	✓ 03/09/20
Guidelines on ranking transparency pursuant to Regulation (EU) 2019/1150	Commission adoption	Q4 2020	✓ 07/12/20
Digital Services Act (with DG CNECT)	Commission adoption	Q4 2020	✓ 15/12/20
Digital Markets Act (with DG CNECT and DG COMP)	Commission adoption	Q4 2020	✓ 15/12/20
Intellectual Property action plan	Commission adoption	Q3 2020	✓ 25/11/20
Industrial alliances on hydrogen and low-carbon industries	Launch of the alliances	Before end 2020	✓ Hydrogen as of July ✓ Raw materials as of September ✓ Clean hydrogen as of September
Evaluations and fitness checks			
 Evaluation Low Voltage Directive	Finalisation	Before end 2020	Finalisation Q1 2021 ISC January 2021
 Evaluation of EU legislation on design protection	Finalisation	Before end 2020	✓ 06/11/20
Evaluation of the EU Supplementary Protection Certificate system	Finalisation	Before end 2020	✓ 25/11/20 published with IP action plan
Evaluation of the European Observatory on Infringements of Intellectual Property Rights	Finalisation	Before end 2020	✓ 25/11/20 published with IP action plan
Public consultations			
Postal Services Directive	Start of the	Before end 2020	✓ 13/07-09/09/20

	consultation		
Reconfigurable Radio System	Start of the consultation	Before end 2020	✓ 25/05-14/09/20
Electromagnetic Compatibility Directive	Start of the consultation	Before end 2020	✓ 09/10-19/01/21
New Regulation on road circulation of mobile machinery	Start of the consultation	Before end 2020	✓ 10/11-02/02/21
Development of Euro 7 emission standards for cars vans lorries and buses	Start of the consultation	Before end 2020	✓ 06/07-09/11/20






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

Main outputs in 2020:





New policy initiatives

Output 	Indicator 	Target 	Status 
COVID-19 response: financial aid to SMEs	Launch of several measures	Q1/2 2020	✓ April 2020: € 714 million redirected from EFSI to reinforce COSME Loan Guarantee Facility. By end of 2020 the additional budget was fully allocated to financial intermediaries across Europe. Per 30/09/2020 already 38,000 SMEs had received €1.9 billion in Covid-19 support.
 SME Strategy	Commission adoption	No target	✓ 10/03/20

Evaluations and fitness checks

Output 	Indicator 	Target 	Status 
 Evaluation 'SME definition'	Finalisation	Before end 2020	Revised ISC dossier now at Cabinet level, adoption in Q1 likely






Outreach

Output/ Result 	Indicator 	Target 	Status 
Increase the No. of physical or virtual participants to SME Week and increase the presence of business uptake for EU Space data during the SME Week	No. of decentralised event and participant equal or higher than in 2019 including participation of EU Space) if not hampered by Covid	2020: equal the No. of 466 events reached in 2019 (and at least equally include EU Space), if not hampered by Covid	Online European SME week and SME assembly took place in the week of 16/11/2020, with ca. 1200 participants, due to COVID the No. of national events was lower than 2019 (ca. 100)






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

Main outputs in 2020:





New policy initiatives

Output 	Indicator 	Target 	Status 
COVID-19 response: Tourism package	Commission adoption	No target	✓ 13/05/20
COVID-19 response: Guidance on the options and flexibilities under the EU public procurement rules in cases of urgency, extreme urgency and contingency measures	Commission adoption	31/03/2020	✓ 01/04/20
Withdrawal of the UK: Work on the implementation of the Protocol on Ireland and Northern Ireland	Effective implementation of the Protocol	Before end 2020	Ongoing and will continue in 2021 as regards the effective application and enforcement in Northern Ireland of the goods acquis in GROW's remit
 The establishment of the Single Market Programme	Adoption by the legislator	Q1 2021	Political agreement reached Dec 2020. Formal adoption Q1 2020
The annual Union work programme for European standardisation for 2021	Commission adoption	Before end 2020	✓ 16 December 2020

Evaluations and fitness checks

Output 	Indicator 	Target 	Status 
 Review of the Regulation on the internal market and cross-border e-commerce (Geo-blocking) – CNECT with GROW	Finalisation	Q2 2020	✓ 30/11/20

Outreach







Output/ Result 	Indicator 	Target 	Status 
Your Europe portal promotion (YE): Increase of visitors	No. of visits to YE and rate of awareness on Single Market opportunities	In 2020 reach at least the No. of visits of 2019	32.8 million visits in 2020 (on 11/12/2020) in comparison to 36.0 million visits last year. Note that due to the pandemic the portal had less visits, especially on travel related pages. The portal's business section (Your Europe Business) is however still growing, and has overtaken last year's figures (8.2. million





			+6.5% compared to 2019)
EU open for business (EUO4B): Increased awareness through print advertising	No. of newspapers readers (total readership of all selected outlets in 5 target countries).	5 million readers (readers meaning potential readers of the printed material)	21,647,988 potential readers
EUO4B: Increased awareness through online advertising	No. of views/impressions on social media.	6 million of ads – impressions/views (note that one individual may generate multiple impressions)	91,493,545 total impressions (online paid ads)
EUO4B: Increased awareness through online advertising	No. of actions (clicks, likes, visits etc.)	More than 70.000 clicks (1.4% action ratio, compared to 0.8% industry average)	498,844 total clicks (online paid ads), Up to 0,78% click-through rate
EUO4B: Direct contact with business multipliers through information days	No. of people attending (including following web-streaming) info days	Min 30 people per information day event physically present, 50 following web streaming	321 total unique participants for the 5 info days, Overall 93% satisfaction rate
EUO4B: Call for action – visit YOUR EUROPE BUSINESS portal	Increase of web-traffic on YOUR EUROPE BUSINESS portal	At least 800 additional visits per month (during the campaign)	Not available Post-campaign survey recorded positive impact of the campaign on awareness of Your Europe Business (47 pp), SOLVIT 29 pp, Erasmus for Young Entrepreneurs (26 pp) and European IP Helpdesk (36 pp)
EUO4B: Call for action – contact the Enterprise Europe Network in your country	No. of calls/emails received by the Enterprise Europe Network in the target countries	500 (these are SMEs who are truly engaged and committed to using EEN services)	Not yet available

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
















Main outputs in 2020:

New policy initiatives

Output 	Indicator 	Target 	Status 
 Single Market Enforcement Action Plan	Commission adoption	Q1 2020	✓ 10/03/20
 Single Market Barriers Report	Commission adoption	Q1 2020	✓ 10/03/20
Single Digital Gateway	Launch	Q4 2020	✓ 12/12/20
Covid-19 response: COMMISSION RECOMMENDATION on conformity assessment and	Commission adoption	Q1 2020	✓ 13/03/20

Specific objective 4: Promote compliance with EU Single Market rules and enforce them			
market surveillance procedures			
Guidance on free movement of health professionals and minimum harmonisation of training in relation to COVID-19 emergency measures	Commission adoption	Q2 2020	✓ 08/05/20
Other important outputs			
Transposition deadline for the Directive on a proportionality test was 30 July 2020: infringement proceedings launched for non-communication of transposition measures (18 Member States)	Commission adoption	No target	✓ 08/10/20
Report on the implementation of a revised professional qualifications Directive and an accompanying Staff Working Document	Commission adoption	No target	✓ 11/05/20
User Guide on Professional Qualifications Directive	Commission adoption		✓ 07/08/20
Outreach			
Output/ Result 	Indicator 	Target 	Status 
Your Europe portal promotion (YE) will also increase the findability of SOLVIT	No. of visits to YE and rate of awareness on Single Market opportunities including SOLVIT	In 2020 reach at least the No. of visits of 2019	31.7 million YE visits (on 11/12/2020) compared to 36.0 million visits last year. <i>Due to the pandemic the portal had less visits, especially on travel. The portal's business section (Your Europe Business) is however still growing, and will overtake last year's figures.</i>

General objective: A European Green Deal			
Specific objective: Increase the share of material recovered, recycled and fed back into the economy			
Main outputs in 2020:			
New policy initiatives			
Output 	Indicator 	Target 	Status 
 New Circular Economy Action Plan (with DG ENV)	Commission adoption	No target	✓ 10/03/20

 Chemicals Strategy for Sustainability (with DG ENV)	Commission adoption	Q3 2020	✓ 14/10/20
 Strategy for Sustainable and Smart Mobility (with DG MOVE)	Commission adoption	Q4 2020	✓ 09/12/20
Eco-design and Energy Labelling Working Plan 2020-2024.	Commission adoption	Before end 2020	In planning, ISC now for Q2 21
Public consultations			
Output 	Indicator 	Target 	Status 
Revision of the CPR	Start of the consultation	Before end 2020	✓ 04/09-25/12/20
Euro 6/VI vehicle emission standards	Start of the consultation	Before end 2020	✓ 06/07-09/11/20
Outreach			
Output/ Result 	Indicator 	Target 	Status 
Increase the No. of physical or virtual participants to the circular economy conference	No. of participants 2019: ca. 800	At least same No. in 2020 as in 2019	Online conference took place 3-4/11/20, ca. 2000 participants
Increase physical or virtual participation in the Raw Materials week, Social media promotion	No. of participants 2019 views, likes and repostings	At least as many participants / social media interactions in 2020 as in 2019	Raw materials week was planned 16-20/11/20 – cancelled due to COVID
Other important outputs: priority pending proposals			
Output 	Indicator 	Target 	Status 
 Regulation on type approval of motor vehicles (Euro 5 and Euro 6)	Adoption by the legislator	Before end 2020	Last Trilogue on 02/12/20 - no result – due to discussions on a possible end date of the RDE conformity factor – Upcoming European Court ruling is crucial for further negotiations

ANNEX 3: Annual reports

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2020 (in Mio €) for DG GROW					
			Commitment appropriations authorised	Commitments made	%
			1	2	3=2/1
Title 02 Internal market, industry, entrepreneurship and SMEs					
02	02 01	Administrative expenditure of the 'Internal market, industry, entrepreneurship and SMEs' policy area	14,36	13,60	94,68 %
	02 02	Competitiveness of enterprises and small and medium-sized enterprises (COSME)	320,06	310,10	96,89 %
	02 03	Internal market for goods and services	122,02	120,66	98,89 %
	02 04	Horizon 2020 - Research relating to enterprises	8,47	5,15	60,85 %
Total Title 02			464,90	449,51	96,69 %
Title 07 Environment					
07	07 01	Administrative expenditure of the 'Environment' policy area	5,54	5,54	100,00 %
	07 02	Environmental policy at Union and international level	0,35	0,35	100,00 %
Total Title 07			5,89	5,89	100,00 %
Title 08 Research and innovation					
08	08 01	Administrative expenditure of the 'Research and innovation' policy area	30,76	30,68	99,74 %
	08 02	Horizon 2020 - Research	0,00	0,00	0,00 %
Total Title 08			30,76	30,68	99,74 %
Title 11 Maritime affairs and fisheries					
11	11 01	Administrative expenditure of the 'Maritime affairs and fisheries' policy area	3,10	3,10	100,00 %
	11 06	European Maritime and Fisheries Fund (EMFF)	0,00	0,00	0,00 %
Total Title 11			3,10	3,10	100,00 %
Title 14 Taxation and customs union					
14	14 02	Customs	0,00	0,00	0,00 %
Total Title 14			0,00	0,00	0,00 %
Title 17 Health and food safety					
17	17 03	Public health	0,00	0,00	0,00 %
Total Title 17			0,00	0,00	0,00 %
Title 22 Neighbourhood and enlargement negotiations					
22	22 01	Administrative expenditure of the 'Neighbourhood and enlargement negotiations' policy area	0,00	0,00	0,00 %
Total Title 22			0,00	0,00	0,00 %
Title 26 Commission's administration					
26	26 03	Services to public administrations, businesses and citizens	0,65	0,65	100,00 %
Total Title 26			0,65	0,65	100,00 %
Title 33 Justice and consumers					
33	33 04	Consumer programme	0,53	0,53	100,00 %
Total Title 33			0,53	0,53	100,00 %
Title 34 Climate action					
34	34 02	Climate action at Union and international level	0,00	0,00	0,00 %
Total Title 34			0,00	0,00	0,00 %
Total DG GROW			505,84	490,36	96,94 %

* Commitment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous commitment appropriations for the

% Outturn on Commitment Appropriations in 2020 for DG GROW

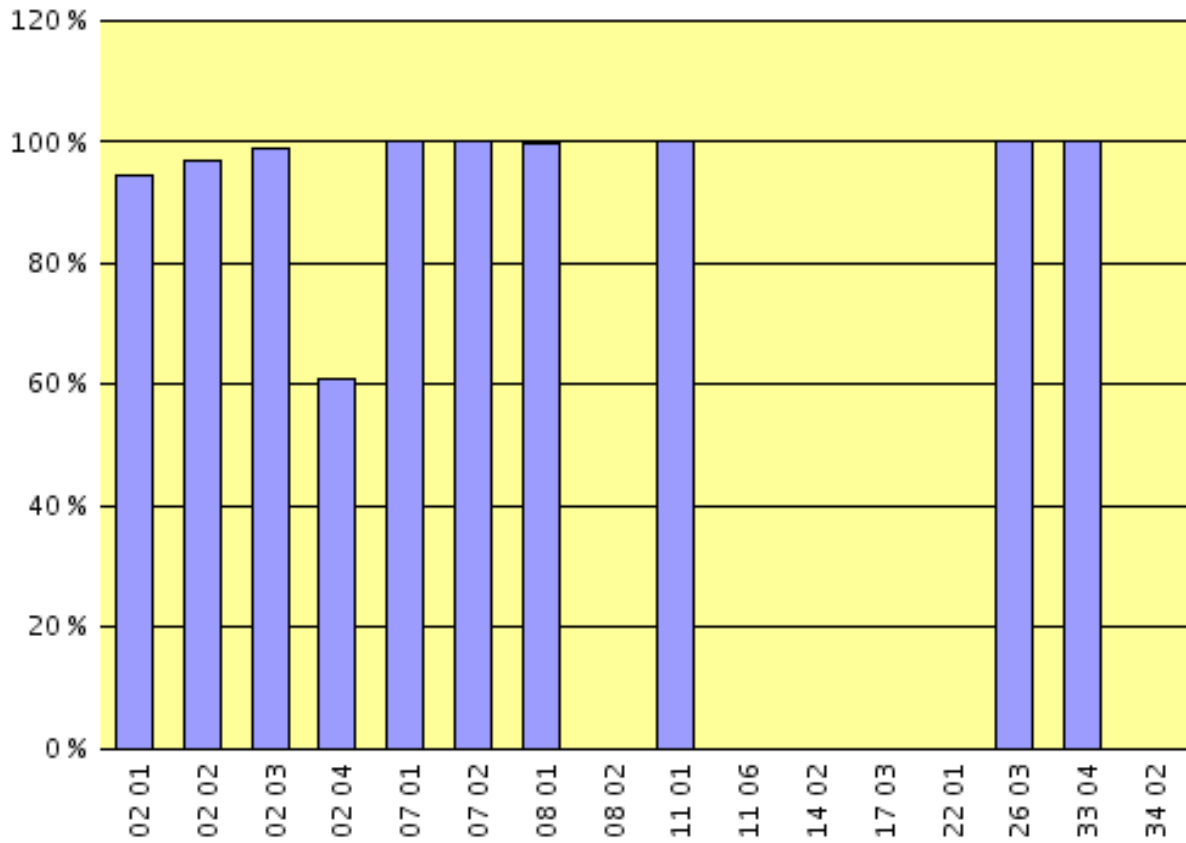


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS in 2020 (in Mio €) for DG GROW					
			Payment appropriations authorised	Payments made	%
			1	2	3=2/1
Title 02 Internal market, industry, entrepreneurship and SMEs					
02	02 01	Administrative expenditure of the 'Internal market, industry, entrepreneurship and SMEs' policy area	17,40	13,18	75,72 %
	02 02	Competitiveness of enterprises and small and medium-sized enterprises (COSME)	385,69	364,18	94,42 %
	02 03	Internal market for goods and services	114,84	113,48	98,82 %
	02 04	Horizon 2020 - Research relating to enterprises	7,75	3,48	44,93 %
Total Title 02			525,69	494,32	94,03%
Title 07 Environment					
07	07 01	Administrative expenditure of the 'Environment' policy area	5,54	5,54	100,00 %
	07 02	Environmental policy at Union and international level	0,00	0,00	0,00 %
Total Title 07			5,54	5,54	100,00%
Title 08 Research and innovation					
08	08 01	Administrative expenditure of the 'Research and innovation' policy area	30,76	30,68	99,74 %
	08 02	Horizon 2020 - Research	0,23	0,23	100,00 %
Total Title 08			30,99	30,91	99,74%
Title 11 Maritime affairs and fisheries					
11	11 01	Administrative expenditure of the 'Maritime affairs and fisheries' policy area	3,10	3,10	100,00 %
	11 06	European Maritime and Fisheries Fund (EMFF)	0,00		
Total Title 11			3,10	3,10	100,00%
Title 14 Taxation and customs union					
14	14 02	Customs	0,00		
Total Title 14			0,00		
Title 17 Health and food safety					
17	17 03	Public health	0,21	0,21	100,00 %
Total Title 17			0,21	0,21	100,00%
Title 22 Neighbourhood and enlargement negotiations					
22	22 01	Administrative expenditure of the 'Neighbourhood and enlargement negotiations' policy area	0,00		
Total Title 22			0,00		
Title 26 Commission's administration					
26	26 03	Services to public administrations, businesses and citizens	0,00	0,56	0,00 %
Total Title 26			0,00	0,56	0,00%
Title 33 Justice and consumers					
33	33 04	Consumer programme	0,89	0,89	100,00 %
Total Title 33			0,89	0,89	100,00%
Title 34 Climate action					
34	34 02	Climate action at Union and international level	0,00	0,00	100,00 %
Total Title 34			0,00	0,00	100,00%
Total DG GROW			566,43	535,54	94,55 %

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

% Outturn on Payment Appropriations in 2020 for DG GROW

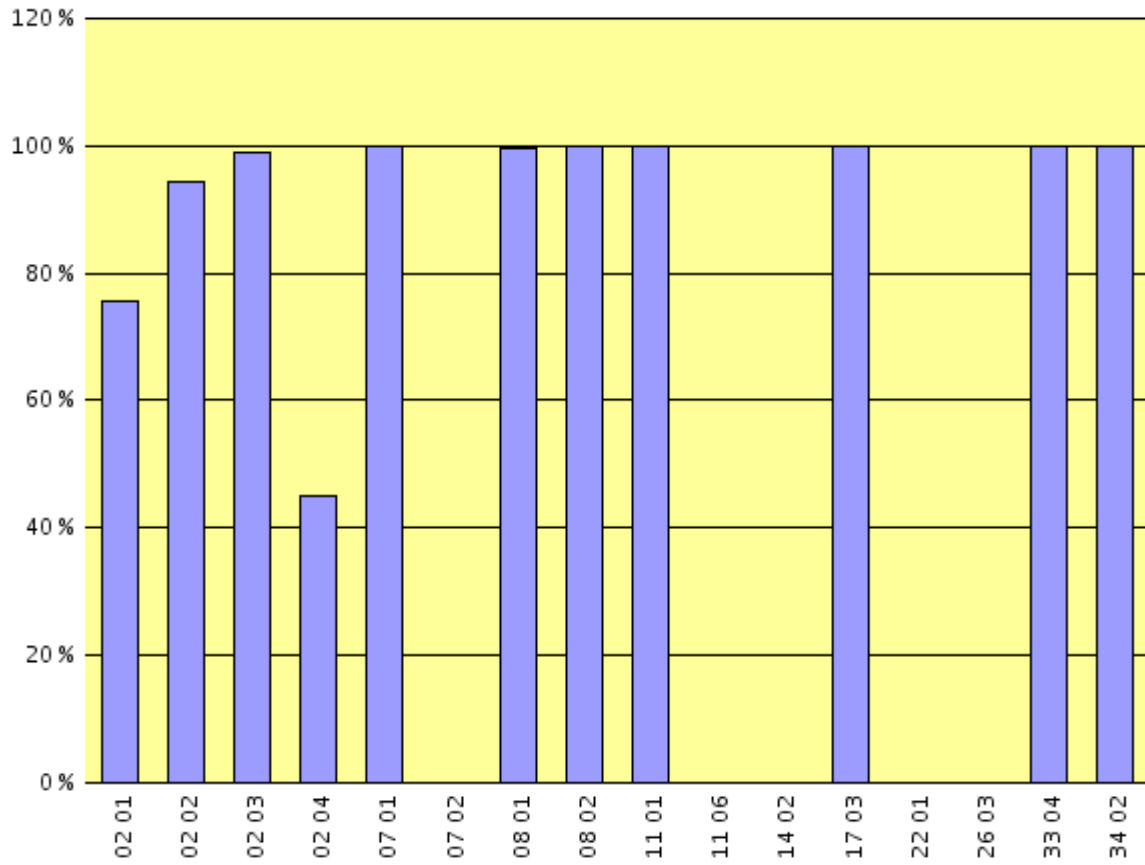


TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2020 (in Mio €) for DG GROW									
Chapter			Commitment s	Payments	RAL	% to be settled	Commitments to be settled from financial years previous to 2019	Total of commitments to be settled at end of financial year 2020	Total of commitments to be settled at end of financial year 2019
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
02	02 01	Administrative expenditure of the 'Internal market, industry, entrepreneurship and SMEs' policy area	13,60	10,56	3,03	0,22	0,11	3,14	3,04
	02 02	Competitiveness of enterprises and small and medium-sized enterprises (COSME)	310,10	15,30	294,80	0,95	306,83	601,63	656,88
	02 03	Internal market for goods and services	120,66	79,73	40,93	0,34	37,35	78,29	73,98
	02 04	Horizon 2020 - Research relating to enterprises	5,15	1,25	3,90	0,76	2,17	6,08	12,06
Total Title 02			449,51	106,84	342,67	0,76	346,47	689,14	745,97

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2020 (in Mio €) for DG GROW									
Chapter			Commitment s	Payments	RAL	% to be settled	Commitments to be settled from financial years previous to 2019	Total of commitments to be settled at end of financial year 2020	Total of commitments to be settled at end of financial year 2019
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
07	07 01	Administrative expenditure of the 'Environment' policy area	5,54	5,54	0,00	0,00	0,00	0,00	0,00
	07 02	Environmental policy at Union and international level	0,35		0,35	1,00	0,00	0,35	0,00
Total Title 07			5,89	5,54	0,35	0,06	0,00	0,35	0,00

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2020 (in Mio €) for DG GROW									
Chapter			Commitment s	Payments	RAL	% to be settled	Commitments to be settled from financial years previous to 2019	Total of commitments to be settled at end of financial year 2020	Total of commitments to be settled at end of financial year 2019
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
08	08 01	Administrative expenditure of the 'Research and innovation' policy area	30,68	30,68	0,00	0,00	0,00	0,00	0,00
	08 02	Horizon 2020 - Research	0,00	0,00	0,00	0,00	0,23	0,23	0,46
Total Title 08			30,68	30,68	0,00	0,00	0,23	0,23	0,46

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2020 (in Mio €) for DG GROW									
Chapter			Commitment s	Payments	RAL	% to be settled	Commitments to be settled from financial years previous to 2019	Total of commitments to be settled at end of financial year 2020	Total of commitments to be settled at end of financial year 2019
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
11	11 01	Administrative expenditure of the 'Maritime affairs and fisheries' policy area	3,10	3,10	0,00	0,00	0,00	0,00	0,00
	11 06	European Maritime and Fisheries Fund (EMFF)	0,00		0,00	0,00	0,80	0,80	0,80
Total Title 11			3,10	3,10	0,00	0,00	0,80	0,80	0,80

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2020 (in Mio €) for DG GROW									
Chapter			Commitment s	Payments	RAL	% to be settled	Commitments to be settled from financial years previous to 2019	Total of commitments to be settled at end of financial year 2020	Total of commitments to be settled at end of financial year 2019
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
14	14 02	Customs	0,00		0,00	0,00	0,10	0,10	0,10
Total Title 14			0,00		0,00	0,00	0,10	0,10	0,10

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2020 (in Mio €) for DG GROW									
Chapter			Commitment s	Payments	RAL	% to be settled	Commitments to be settled from financial years previous to 2019	Total of commitments to be settled at end of financial year 2020	Total of commitments to be settled at end of financial year 2019
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
17	17 03	Public health	0,00	0,00	0,00	0,00	0,00	0,00	0,25
Total Title 17			0,00	0,00	0,00	0,00	0,00	0,00	0,25

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2020 (in Mio €) for DG GROW									
Chapter			Commitment s	Payments	RAL	% to be settled	Commitments to be settled from financial years previous to 2019	Total of commitments to be settled at end of financial year 2020	Total of commitments to be settled at end of financial year 2019
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
22	22 01	Administrative expenditure of the 'Neighbourhood and enlargement negotiations' policy area	0,00		0,00	0,00	0,00	0,00	0,00
Total Title 22			0,00		0,00	0,00	0,00	0,00	0,00

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2020 (in Mio €) for DG GROW									
Chapter			Commitment s	Payments	RAL	% to be settled	Commitments to be settled from financial years previous to 2019	Total of commitments to be settled at end of financial year 2020	Total of commitments to be settled at end of financial year 2019
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
26	26 03	Services to public administrations, businesses and citizens	0,65	0,05	0,60	0,92	0,68	1,28	1,25
Total Title 26			0,65	0,05	0,60	0,92	0,68	1,28	1,25

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2020 (in Mio €) for DG GROW									
Chapter			Commitment s	Payments	RAL	% to be settled	Commitments to be settled from financial years previous to 2019	Total of commitments to be settled at end of financial year 2020	Total of commitments to be settled at end of financial year 2019
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
33	33 04	Consumer programme	0,53	0,18	0,35	0,66	0,04	0,39	0,76
Total Title 33			0,53	0,18	0,35	0,66	0,04	0,39	0,76

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2020 (in Mio €) for DG GROW									
Chapter			Commitment s	Payments	RAL	% to be settled	Commitments to be settled from financial years previous to 2019	Total of commitments to be settled at end of financial year 2020	Total of commitments to be settled at end of financial year 2019
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
34	34 02	Climate action at Union and international level	0,00	0,00	0,00	0,00	0,18	0,18	0,18
Total Title 34			0,00	0,00	0,00	0,00	0,18	0,18	0,18

Total for DG GROW			490,36	146,40	343,96	0,70	348,50	692,47	749,76
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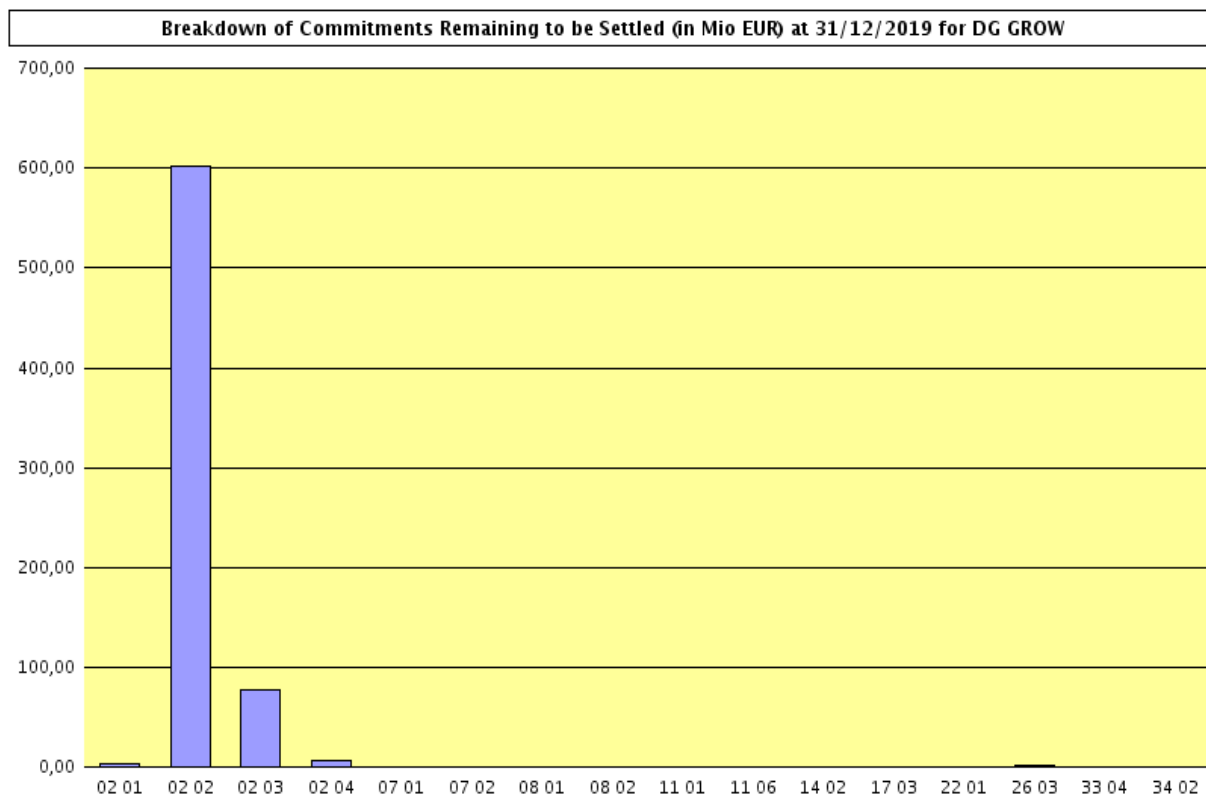


TABLE 4 : BALANCE SHEET for DG GROW

BALANCE SHEET	2020	2019
A.I. NON CURRENT ASSETS	100.871.521,45	6.899.558.917,69
A.I.1. Intangible Assets	488.918,45	9.079.544,32
A.I.2. Property, Plant and Equipment	0,00	6.731.345.816,35
A.I.4. Non-Current Financial Assets	100.382.603,00	71.047.888,00
A.I.5. Non-Current Pre-Financing	0,00	88.085.669,02
A.II. CURRENT ASSETS	646.360.800,02	2.010.000.648,32
A.II.2. Current Pre-Financing	34.501.820,80	1.593.122.755,77
A.II.3. Curr Exch Receiv & Non-Ex Recoverables	1.070.004,22	1.159.738,55
A.II.6. Cash and Cash Equivalents	610.788.975,00	415.718.154,00
ASSETS	747.232.321,47	8.909.559.566,01
P.I. NON CURRENT LIABILITIES	-490.116.385,00	-485.927.550,00
P.I.2. Non-Current Provisions	-490.116.385,00	-485.927.550,00
P.I.3. Non-Current Financial Liabilities	0,00	0,00
P.III. NET ASSETS/LIABILITIES	-10.811.946,00	-3.298.362,73
P.III.1. Reserves	-10.811.946,00	-3.298.362,73
P.II. CURRENT LIABILITIES	-437.653.671,45	-302.125.739,80
P.II.2. Current Provisions	-416.472.681,00	-253.824.519,00
P.II.4. Current Payables	-21.180.990,45	-22.616.959,27
P.II.5. Current Accrued Charges & Defrd Income	0,00	-25.684.261,53
LIABILITIES	-938.582.002,45	-791.351.652,53
NET ASSETS (ASSETS less LIABILITIES)	-191.349.680,98	8.118.207.913,48

P.III.2. Accumulated Surplus/Deficit	4.990.652.979,65	3.224.525.958,13
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Non-allocated central (surplus)/deficit*	-4.799.303.298,67	-11.342.733.871,61
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TOTAL DG GROW	0,00	0,00
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The balance sheet and statement of financial performance presented in Annex 3 to this Annual Activity Report, represent only the assets, liabilities, expenses and revenues under the control of DG GROW. Amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Annex since they are managed centrally by DG Budget.

The accounting situation presented in the Balance Sheet and Statement of Financial Performance does not include the accruals and deferrals calculated centrally by the services of the Accounting Officer.

Explanatory note to the Balance Sheet

A.I. NON CURRENT ASSETS

At the end of 2019, DG GROW went through a reorganisation which took effect as of 1/1/2020, when Defence Industry and Space activities were taken over by the newly created DG DEFIS. As a consequence, all Space assets were transferred to DG DEFIS and the A.I.2. Property, Plant and Equipment account has a value null. The same applies for the A.I.5. Non-current pre-financing account.

A.II. CURRENT ASSETS

The amount of pre-financings has been drastically decreased (-99.42%) due to the transfer of the delegation agreements linked to Defence Industry and Space activities to DG DEFIS.

The prefinancings given to external entities (ECHA, EUIPO and UN) amount to € 7,8 million and € 2,3 million to the executive agency EASME. The remaining amount (€ 24,4 million) concerns prefinancings in direct management.

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

P. LIABILITIES

P.I. NON CURRENT LIABILITIES & P.III. NET ASSETS/LIABILITIES

In 2020, DG GROW did not observe any changes in Non-Current Liabilities and Reserves amounts.

P.II. CURRENT LIABILITIES

The Current Liabilities "Current Payables" varied by -4.2% due to Sundry Payables (FI Payables Financial Intermediaries ST and FI Payables Entrusted Entities ST); and "Current Accrued Charges & Deferred Income" decreased drastically by 100%.

TABLE 5 : STATEMENT OF FINANCIAL PERFORMANCE for DG GROW

STATEMENT OF FINANCIAL PERFORMANCE	2020	2019
II.1 REVENUES	- 10.911.006,84	- 86.094.660,09
II.1.1. NON-EXCHANGE REVENUES	- 12.522.576,55	- 87.363.888,61
II.1.1.5. RECOVERY OF EXPENSES	- 42.438,55	- 69.778,30
II.1.1.7. OTHER NON-EXCHANGE REVENUES	- 12.480.138,00	- 87.294.110,31
II.1.2. EXCHANGE REVENUES	1.611.569,71	1.269.228,52
II.1.2.1. FINANCIAL INCOME	- 3.970.251,88	- 5.106.563,05
II.1.2.2. OTHER EXCHANGE REVENUE	5.581.821,59	6.375.791,57
II.2. EXPENSES	- 1.208.972.257,41	1.852.221.681,61
II.2. EXPENSES	- 1.208.972.257,41	1.852.221.681,61
II.2.10. OTHER EXPENSES	355.762.899,25	934.328.847,65
II.2.2. EXP IMPL BY COMMISS&EX.AGENC. (DM)	- 7.744.187,36	81.938.153,53
II.2.3. EXP IMPL BY OTH EU AGENC&BODIES (IM)	- 751.995.728,18	425.012.580,18
II.2.4. EXP IMPL BY 3RD CNTR & INT ORG (IM)	- 754.422.542,83	377.735.263,27
II.2.5. EXP IMPL BY OTHER ENTITIES (IM)	- 51.411.485,40	32.928.222,16
II.2.6. STAFF AND PENSION COSTS	-	359.520,00
II.2.8. FINANCE COSTS	838.787,11	638.134,82
STATEMENT OF FINANCIAL PERFORMANCE	- 1.219.883.264,25	1.766.127.021,52

Explanatory note to the Statement of Financial Performance

The Statement of Financial Performance for DG GROW does not reflect a fair value in the year 2020 for the two following reasons:

- Most of the negative amounts in the expenses ("6" accounts") are expenses of DG GROW before 2020. For DG DEFIS, it is the opposite: the expenses appear as overestimated (no reversals occurred in 2020). However, at the level of the EC the situation is balanced. This discordance will disappear with the next accounting closure.
- For a non-large DG from an accounting point of view (such as DG GROW as from 2020), the result of the cut-off exercise is a global entry prepared centrally by DG BUDG, which is not reflected here in the DG GROW Statement.

TABLE 5bis : OFF BALANCE SHEET for DG GROW

OFF BALANCE	2020	2019
OB.1. Contingent Assets	127.570,98	332.753,36
GR for performance		-
GR for pre-financing	127.570,98	332.753,36
OB.2. Contingent Liabilities	- 2.502.458,00	- 1.709.908,00
OB.2.1. Guarantees given for EU FI	- 2.502.458,00	- 1.709.908,00
OB.3. Other Significant Disclosures	-	- 3.678.810.474,98
OB.3.2. Comm against app. not yet consumed	-	- 2.639.568.724,98
OB.3.3.4. Galileo programme	-	- 437.852.315,00
OB.3.3.5. GMES programme COPERNICUS	-	- 601.389.435,00
OB.4. Balancing Accounts	1.041.616.637,02	3.680.187.629,62
OB.4. Balancing Accounts	1.041.616.637,02	3.680.187.629,62
OFF BALANCE	1.039.241.750,00	-

TABLE 6: AVERAGE PAYMENT TIMES in 2020 for GROW

Legal Times							
Maximum Payment Time (Days)	Total Number of Payments	Nbr of Payments within Time Limit	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
30	685	682	99,6 %	13,61	3	0,4 %	35,33
45	5	5	100,0 %	16,20			
60	218	215	98,6 %	23,78	3	1,4 %	63
80	1	1	100,0 %	16,00			
90	28	28	100,0 %	27,18			

Total Number of Payments	937	931	99,36 %		6	0,64 %	
Average Net Payment Time	16,60			16,39			49,17
Average Gross Payment Time	20,48			20,29			49,67

Suspensions							
Average Report Approval Suspension Days	Average Payment Suspension Days	Number of Suspended Payments	% of Total Number	Total Number of Payments	Amount of Suspended Payments	% of Total Amount	Total Paid Amount
0	38	95	10,14 %	937	9.693.991,69	1,83 %	531.057.260

Late Interest paid in 2020			
DG	GL Account	Description	Amount (Eur)
GROW	65010100	Interest on late payment of charges New	321,11
			321,11

TABLE 7 : SITUATION ON REVENUE AND INCOME in 2020 for DG GROW

Chapter		Revenue and income recognized			Revenue and income cashed from			Outstanding balance
		Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total	
		1	2	3=1+2	4	5	6=4+5	
55	REVENUE FROM THE PROCEEDS OF SERVICES SUPPLIED AND WORK CARRIED OUT	1.275	-	1.275	1.275	-	1.275	-
57	OTHER CONTRIBUTIONS AND REFUNDS IN CONNECTION WITH THE ADMINISTRATIVE OPERATION OF THE INSTITUTION	3.258	-	3.258	3.258	-	3.258	-
60	CONTRIBUTIONS TO UNION PROGRAMMES	12.480.138	-	12.480.138	12.480.138	-	12.480.138	-
64	CONTRIBUTIONS FROM FINANCIAL INSTRUMENTS	3.148.947	-	3.148.947	3.148.947	-	3.148.947	-
66	OTHER CONTRIBUTIONS AND REFUNDS	2.004.831	1.113.676	3.118.506	2.004.831	148.205	2.153.035	965.471
90	MISCELLANEOUS REVENUE	518	14.684	15.202	518	-	518	14.684
Total DG GROW		17.638.967	1.128.359	18.767.326	17.638.967	148.205	17.787.171	980.154

TABLE 8 : RECOVERY OF PAYMENTS in 2020 for DG GROW
(Number of Recovery Contexts and corresponding Transaction Amount)

INCOME BUDGET RECOVERY ORDERS ISSUED IN 2020 Year of Origin (commitment)	Irregularity		Total undue payments recovered		Total transactions in recovery context (incl. non-qualified)		% Qualified/Total RC	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
2017					1	23.564		
2018	1	38.662	1	38.662	1	38.662	100,0%	100,0%
2019	1	3.258	1	3.258	7	2.013.371	14,3%	0,2%
Sub-Total	2	41.920	2	41.920	9	2.075.598	22,2%	2,0%

EXPENSES BUDGET	Irregularity		OLAF Notified		Total undue payments recovered		Total transactions in recovery context (incl. non-		% Qualified/Total RC	
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
INCOME LINES IN INVOICES							1	4.623		
NON ELIGIBLE IN COST CLAIMS	14	208.240			14	208.240	14	208.240	100,0%	100,0%
CREDIT NOTES	24	617.145			24	617.145	42	1.326.509	57,1%	46,5%
Sub-Total	38	825.385			38	825.385	57	1.539.372	66,7%	53,6%
GRAND TOTAL	40	867.305			40	867.305	66	3.614.970	60,6%	24,0%

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2020 for DG GROW

	Number at 1/01/2020	Number at 31/12/2020	Evolution	Open Amount (Eur) at 1/01/2020	Open Amount (Eur) at 31/12/2020	Evolution
2011	1	1	0,0 %	57.747	57.747	0,0 %
2012	2	1	-50,0 %	139.947	88.591	-36,7 %
2013	4	3	-25,0 %	973.642	891.672	-8,4 %
2014	1		-100,0 %	14.877		-100,0 %
	8	5	-37,5 %	1.186.213	1.038.009	-12,5 %

TABLE 10 : Recovery Order Waivers >= 60 000 € in 2020 for DG GROW

	Waiver Central Key	Linked RO Central Key	RO Accepted Amount (Eur)	LE Account Group	Commission Decision	Comments
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Total DG GROW

Number of RO waivers

There are 2 waivers below 60 000 € for a total amount of -66.234,07

TABLE 11 : Negotiated Procedures in 2020 for DG GROW

Internal Procedures > € 60,000

Negotiated Procedure Legal base	Number of Procedures	Amount (€)
Annex 1 - 11.1 (b) - Artistic/technical reasons or exclusive rights or technical monopoly/captive market	1	121.600
Total	1	121.600

TABLE 12 : Summary of Procedures in 2020 for DG GROW

Internal Procedures > € 60,000

Procedure Legal base	Number of Procedures	Amount (€)
Negotiated procedure middle value contract (Annex 1 - 14.2)	6	1.144.140
Negotiated procedure without prior publication (Annex 1 - 11.1)	1	121.600
Open procedure (FR 164 (1)(a))	20	52.872.628
Total	27	54.138.368

TABLE 15 : FPA duration exceeds 4 years - DG

None of your FPA (if any) exceeds 4 years

ANNEX 4 : Financial Scorecard

DG GROW

The Annex 4 of each Commission service summarises the annual result of the standard financial indicators measurement. Annexed to the Annual Activity Report 2020, 6 standard financial indicators are presented below, each with its objective, category, definition, and result for the Commission service and for the EC as a whole (for benchmarking purposes)²:


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


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


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


The Commission services are invited to provide commentary behind each indicator's result in the dedicated boxes below as this can help the reader to understand the Commission's service context. In cases when the indicator's value achieves 80% or less of the target, the comment becomes mandatory.


² If the EC service did not perform any transaction in the area measured by the indicator or the information is not available in the central financial system, the indicator is not calculated (i.e. displayed as “-”) in this Annex.


Indicator	<u>CA Implementation</u>
Category	Efficiency Controls / Budget
Objective	Ensure efficient use of commitment appropriations
Result	<p>DG GROW achieved 100% compared to the EC result of 99%</p> 
Comment	DG GROW has achieved in 2020 its objective of 100% commitment execution.
Definition	<p>Formula: Value A / Value B</p> <ul style="list-style-type: none"> - Value A: Committed L1 Accepted Amount + Direct Committed L2 Accepted Amount (Eur) - Value B: Credit Accepted Com Amount (Eur) <p>Scope: Commitments on all relevant Fund Sources, except for:</p> <ul style="list-style-type: none"> - Internal assigned revenue in first year (C4) - Internal assigned revenue from lettings and sale of buildings and lands (CL) - Repaid advances (structural funds) (C6) - External assigned revenue except for EFTA (FCA ,FRT, PO, RO, TCA, TF5, TFC)

Indicator	<u>PA Implementation</u>
Category	Efficiency Controls / Budget
Objective	Ensure efficient use of payment appropriations
Result	<p>DG GROW achieved 100% compared to the EC result of 99%</p>  <p>PA Implementation higher than 100% is a result of DG GROW consuming commitment appropriations of a different DG under a co-delegation, which were not transferred to DG GROW.</p>
Comment	DG GROW has achieved in 2020 its objective of 100% payment execution.
Definition	<p>Formula: Value A / Value B</p> <ul style="list-style-type: none"> - Value A: Payment Accepted Amount (Eur) - Value B: Credit Accepted Pay Amount (Eur) <p>Scope:</p> <p>Payments on all relevant Fund Sources, except for:</p> <ul style="list-style-type: none"> - Internal assigned revenue in first year (C4) - Internal assigned revenue from lettings and sale of buildings and lands (CL) - Repaid advances (structural funds) (C6) - External assigned revenue except for EFTA (FCA ,FRT, PO, RO, TCA, TF5, TFC) - Payments stemming from C1, C5, E0 outstanding commitments on the non-staff budget positions that will be carried-forward as C8 to the next financial year

Indicator	<u>CA Forecast Implementation</u>
Category	Efficiency Controls / Budget
Objective	Ensure the cumulative alignment of the commitment implementation with the commitment forecast in a financial year
Result	<p>DG GROW achieved 98% compared to the EC result of 98%</p> 
Comment	In 2020, DG GROW has achieved a very good result for its commitment forecasting (98% accuracy).
Definition	<p>Formula: Value A / Value B*,**</p> <ul style="list-style-type: none"> - Value A: Committed L1 Accepted Amount + Direct Committed L2 Accepted Amount (Eur) - Value B: Commitment Forecast Amount (Eur) <p>*if Value A / Value B between 100 and 200% then the result indicator will be equal to 1 - (ABS(Value B - Value A) / Value B)</p> <p>**if Value A / Value B > 200 % then the result indicator will be equal to 0%</p> <p>Scope:</p> <ul style="list-style-type: none"> - Commitments on all relevant Fund Sources - Commitment Forecast Amount (Eur) from the most up to date forecast version (Initial Mar-Aug, Revised Sep-Dec)

Indicator	<u>PA Forecast Implementation</u>
Category	Efficiency Controls / Budget
Objective	Ensure the cumulative alignment of the payment implementation with the payment forecast in a financial year
Result	<p>DG GROW achieved 95% compared to the EC result of 99%</p> 
Comment	In 2020, DG GROW has achieved a good result for its payment forecasting (95% accuracy); the objective is to improve this result in 2021.
Definition	<p>Formula: Value A / Value B*,**</p> <ul style="list-style-type: none"> - Value A: Payment Accepted Amount (Eur) - Value B: Payment Forecast Amount (Eur) <p>*if Value A / Value B between 100 and 200% then the result indicator will be equal to 1 – (ABS(Value B – Value A) / Value B)</p> <p>**if Value A / Value B > 200 % then the result indicator will be equal to 0%</p> <p>Scope:</p> <ul style="list-style-type: none"> - Payments on all relevant Fund Sources - Payment Forecast Amount (Eur) from the most up to date forecast version (Initial Mar-Aug, Revised Sep-Dec)

Indicator	<u>Global Commitment Absorption</u>
Category	Efficiency Controls / Absorption
Objective	Ensure efficient use of already earmarked commitment appropriations (at L1 level)
Result	<p>DG GROW achieved 91% compared to the EC result of 98%</p>  <p>0% 20% 40% 60% 80% 100%</p> <p>EC (98%) 91%</p>
Comment	In 2020, DG GROW has achieved a good result in terms of global commitment absorption (91% accuracy); the objective is to improve this result in 2021.
Definition	<p>Formula:</p> <ul style="list-style-type: none"> - Value A: Com L1 Consumption amount (Eur) - Value B: Com L1 Initial amount (Eur) + Com L1 Complementary Amount (Eur) + (Com L1 Decommittment Amount (Eur) on all Fund Sources except for C8 and C9) <p>Scope:</p> <ul style="list-style-type: none"> - Com L1 with FDC ILC date from 01/01 to 31/12 of the current year - No movements to the Com L1 Consumption amount (Eur) after the FDC ILC date is taken into account (Generally decommitments of L2 which decrease the Com L1 consumption) <p>Remark: Due to technical limitation, the indicator does not take into account the Com L1 Consumption between the FDC ILC date and the FA FDI allowed as an exception in the external actions for Com L1 of type GF, i.e. with Financing Agreement, under the FR2018 Article 114.2. As a result, the actual Indicator score may be slightly higher than the one reported for DGs using the GF commitments.</p>

Indicator	<u>Timely Payments</u>
Category	Efficiency Controls / Timeliness
Objective	Ensure efficient processing of payments within the legal deadlines
Result	<p>DG GROW achieved 100% compared to the EC result of 99%</p>  <p>0% 20% 40% 60% 80% 100%</p> <p>EC (99%) 100%</p>
Comment	In 2020, 100% of DG GROW's payments were made in due time.
Definition	<p>Formula: Value A / Value B</p> <ul style="list-style-type: none"> - Value A: Payment Accepted Amount (Eur) in time <ul style="list-style-type: none"> o In Time: Payment Bank Value Date < = Payment legal deadline - Value B: Payment Accepted Amount (Eur) <p>Scope:</p> <ul style="list-style-type: none"> - Payments made in the current year - Payments valid for payment statistics (DWH Flag "Payment Time Status OK?" = "Y")

ANNEX 5: Materiality criteria

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

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

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

Qualitative assessment

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

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

Quantitative assessment

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

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

Assessment of the effectiveness of controls

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

Multiannual approach

The Commission's central services' guidance relating to the quantitative materiality threshold refers to a percentage of the authorised payments of the reporting year of the ABB expenditure. However, the Guidance on AARs also allows a multi-annual approach, especially for budget areas (e.g. programmes) for which a multi-annual control system is more effective. In such cases, the calculation of errors, corrections and materiality of the

amount at risk should be done on a "cumulative basis" on the basis of the totals over the entire programme lifecycle.

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

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

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

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

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

De minimis' threshold for financial reservations:

"Since 2019³, a 'de minimis' threshold for financial reservations has been introduced. Quantified AAR reservations related to residual error rates above the 2% materiality threshold, are deemed not substantial for segments representing less than 5% of a DG's total payments and with a financial impact below EUR 5 million. In such cases, quantified reservations are no longer needed."

³ Agreement of the Corporate Management Board of 30/4/2019.

ANNEX 6: Relevant Control System(s) for budget implementation (RCSs)

RCS N°1: Budget entrusted to external entities

This RCS covers: (1) the subsidy to the **EASME** Executive Agency for its operating budget,
 (2) the balancing subsidy to **ECHA**,
 (3) cross sub-delegations to **other Commission services**.

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

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

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

Main risks	Mitigating controls	Coverage frequency and depth	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - arrangements for protection of EU financial interests and transparency of operations - right of the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) to comprehensively exert their competences to audit the entrusted funds 	<p>cooperation, supervision and reporting in the DA</p> <p>Explicit allocation of supervision responsibility to individual officials (reflected in task assignment or function descriptions)</p>	<p>(iii) consistency with any other entities entrusted by the same DG or family.</p>	<p>Effectiveness:</p> <ul style="list-style-type: none"> - Quality of the legal work (Basic Act, Legal and Financial Statement and DA) - no ECA or OLAF findings/ very important recommendation <p>Efficiency:</p> <ul style="list-style-type: none"> - Average cost of preparation, adoption work done compared with similar cases as benchmark <p>Economy:</p> <ul style="list-style-type: none"> - ratio FTEs/funds entrusted (economic when below 10-15 %)

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

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

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
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Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - Before entrusting tasks of budget implementation to the EE, DG GROW has not obtained evidence that the financial and control framework deployed by the EE is sufficiently mature to guarantee achieving all 5 ICOs - The EE's own financial framework differs from the EU FR and the two parallel systems coexist with the risk of the EE's own system being applied to EU funds - The EE has not timely informed DG GROW about substantial changes made to its systems, rules and procedures that relate to the management of the EU funds entrusted 	<ul style="list-style-type: none"> - DG GROW internal or independent external ex-ante assessment of the EE ensuring that there is the same level of protection of the financial interests of the Union equivalent to the one that is provided for when the Commission implements the EU budget (Article 62 FR⁴) - Hierarchical validation within the authorising directorate - Require justification and prior consent for any deviation to financial rules (e.g. Riders or Contract Change Notices) - Require timely notification by the EE of any changes to its financial or control systems subsequent to the signature of the DA - Statement obtained from another DG which also has a DA with the EE 	<p>Coverage/frequency:</p> <ul style="list-style-type: none"> - <u>International organisations</u>: prior to the signature, assessment of internal control system of the EE followed if necessary by ad hoc targeted system controls - <u>Agencies</u>: targeted system controls/ad hoc <p>Depth:</p> <ul style="list-style-type: none"> - 100 % 	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of FTEs involved in the ex-ante assessment process (including missions) - cost of outsourced independent external "pillar" (re)assessment of the EE's control system(s) <p>Benefits:</p> <ul style="list-style-type: none"> - Total budget amount entrusted to the EE if no significant system weaknesses are detected - DG's reputation remains intact <p>Effectiveness:</p> <ul style="list-style-type: none"> - validation of the pillar assessment by the EC central services (DG BUDG) - no ECA or IAS findings/very important recommendation - n° of recommendations proposed to EE as result of assessment (i.e. deviations from EU FR identified) - quality of ex-ante assessment

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

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
			Efficiency Indicators: <ul style="list-style-type: none"> - Time-To-Implement recommendations (by the EE) - Time-To-(Re)Assess Economy: ratio FTEs/funds entrusted (economic when below 10-15 %)

Stage 3 – Operations: monitoring, supervision, reporting

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

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - Low quality programme results, delayed programme implementation, non-achievement of policy objectives / desired impact on society. - Due to weak modalities of cooperation, 	<p>Detailed reporting modalities included in DA (incl. regular programme evaluation).</p> <p>Reinforced monitoring:</p> <ul style="list-style-type: none"> - increased participation in EE's governance bodies and technical committees 	<p>Coverage: 100 % of the entities are monitored/supervised.</p> <p>Frequency:</p> <ul style="list-style-type: none"> - daily (operational/financial/technical issues) - monthly (briefings and reports for high level) 	<p>Costs: estimation of FTEs involved in monitoring and supervision (including missions).</p> <p>Benefits:</p> <ul style="list-style-type: none"> - Total budget amount entrusted to the EE if no significant (legal, management, accounting, fraud, reporting) errors are detected

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

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
mandate	and agree or not on changes		<ul style="list-style-type: none"> - Time-To-Implement audit recommendations <p>Economy:</p> <ul style="list-style-type: none"> - ratio FTEs/funds entrusted (economic when below 10-15 %)

Stage 4 – Commission contribution: payment or suspension/interruption

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

Main risks	Mitigating controls	Coverage, frequency and level of control	Cost-Effectiveness indicators (three E's)
<p>The Commission pays out the (next) contribution to the entrusted entity:</p> <ul style="list-style-type: none"> - while not being aware of management issues that may lead to financial and/or reputational damage - despite being aware of such issues - with incorrect calculation of 	<ul style="list-style-type: none"> - Require EE to report back on management issues as soon as possible - Ex-ante operational and financial verifications leading to correction of errors and restatement of corrected contribution request - Management review of supervision results 	<p>Coverage: 100 % of the contribution payments.</p> <p>Frequency: as per transfer agreement or transfer request</p> <p>The level of control depends on the <u>mandate</u> of the (type of) entity, inter alia whether DG GROW has full access to the entity's internal control</p>	<p>Costs: estimation of FTEs involved in the ex-ante verifications</p> <p>Benefits:</p> <ul style="list-style-type: none"> - value of errors detected by ex-ante controls - Total budget amount entrusted to the entity if no significant (legal, management, accounting, fraud, reporting) errors are detected - DG's reputation remains intact <p>Effectiveness:</p>

Main risks	Mitigating controls	Coverage, frequency and level of control	Cost-Effectiveness indicators (three E's)
<p>the cash needs of the entrusted entity</p> <ul style="list-style-type: none"> - with no implementation of the audit results by the entrusted entity 	<ul style="list-style-type: none"> - Hierarchical validation of contribution payment and recovery of non-used funds - If necessary, suspension or interruption of payments 	information.	<ul style="list-style-type: none"> - amount of unused operating budget recovered (if any) - budget amount of the suspended/interrupted payments (if any). <p>Efficiency Indicators:</p> <ul style="list-style-type: none"> - Time-To-Pay /Recover <p>Economy:</p> <ul style="list-style-type: none"> - Ratio FTEs/funds entrusted (economic when below 10-15 %).

Stage 5 – Audit and evaluation

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

Main risks	Mitigating controls	Coverage, frequency and level of control	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - The Commission has insufficient information from independent sources on the EE's management achievements, which prevents drawing conclusions on the assurance for the 	<ul style="list-style-type: none"> - DA to specify independent audit function and cooperation with IAS and ECA - DG GROW own on-the-spot ex-post audits of the EE 	<p>Coverage: All delegation agreements are checked through samples.</p> <p>Regarding the subsidies paid to ECHA and EASME, the budget executed on behalf of DG GROW, is checked by the</p>	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of FTEs involved in the coordination and execution of the own audits - Ex-post audit mission costs - Cost of outsourced audits <p>Benefits:</p> <ul style="list-style-type: none"> - Assurance of the AOD that the population audited is clean of

Main risks	Mitigating controls	Coverage, frequency and level of control	Cost-Effectiveness indicators (three E's)
<p>budget entrusted to the Entity – which may reflect negatively on the Commission's governance reputation and quality of accountability reporting</p> <ul style="list-style-type: none"> - Decentralised agencies do not fully cooperate with the Discharge authorities and do not provide, as appropriate, any necessary additional information - The entrusted control system is subject to AAR reservations and/or ECA criticism 	<p>and/or its beneficiaries</p> <ul style="list-style-type: none"> - potential escalation of any major governance-related issues - Interim evaluations by independent experts of achievement of policy objectives - if necessary, refer to OLAF 	<p>European Court of Auditors.</p> <p>DG GROW does not perform ex-post audits on these agencies. The systems are presumed to be up to Commission standards.</p> <p>Frequency: once a year or every second year, depending on the entrusted entity</p> <p>The level of control depends on the <u>mandate</u> of the (type of) entity, inter alia whether the Commission has full access to the entity's internal control information.</p>	<p>error</p> <ul style="list-style-type: none"> - % rate and value of errors detected by own audits (and subsequently corrected) <p>Effectiveness:</p> <ul style="list-style-type: none"> - unqualified opinion by the EE's independent external auditor on the EE's annual financial statements - detected error rate of own ex-post audits of EE below materiality threshold - n° of own audits - n° and amount of errors detected by own audits. <p>Efficiency:</p> <ul style="list-style-type: none"> - value of total payments audited - Number of audits launched in the year versus annual target - Number of audits closed in the year versus annual target <p>Economy:</p> <ul style="list-style-type: none"> - ratio: annual cost of own audits / amount of all errors detected - average cost per audit.

RCS N°2: Financial Instruments

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

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

Main control objectives:

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

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

Main risks	Mitigating controls	Coverage, frequency and level of control	Cost-Effectiveness indicators (three E's)
Financial Regulation (FR)).	<p>5.</p> <ul style="list-style-type: none"> • <i>DA contains detailed provisions with regard to the follow-up on the achievement of policy objectives</i> • <i>Fee payments to EIF are linked to achievement of measurable policy objectives;</i> • <i>DA was approved following Commission inter-service consultation (including all relevant DGs, horizontal and operational);</i> • <i>DA negotiations required substantial time and resources to ensure that all financial, operational and policy aspects are covered in sufficient detail to allow adequate management and follow-up of financial instruments until their wind-down (expected for 2034)</i> <p>6. Annual approval of work programme by the COSME Member State Committee</p>	<p>units.</p> <p>Coverage / Frequency for annual work programme: 100 % / annually</p>	<p>Efficiency:</p> <ul style="list-style-type: none"> • Time-to-entrust: <ul style="list-style-type: none"> ○ time from adoption of COSME legal base to DA signed ○ time between signature of Financial and Administrative Framework Agreement and signature of DA ○ time between signature of DA and calls for expression of interests published for the LGF and the EFG <p>Economy:</p> <ul style="list-style-type: none"> • Ratio: FTEs invested in the drafting, negotiation and signature of the DA / total budget entrusted.

Main risks	Mitigating controls	Coverage, frequency and level of control	Cost-Effectiveness indicators (three E's)
<p>The selection of the International Financial Institution is not in line with FR and its Rules of Application criteria, especially 'alignment of interests'</p>	<p>Selection of the EIF as entrusted entity:</p> <ul style="list-style-type: none"> <i>In line with Art. 58.1(c)(iii) FR</i> <i>EIF explicitly indicated in the COSME Regulation as a possible entrusted entity for the EFG (Art. 18.4(a)) and the LGF (Art. 19.4)</i> <p>Alignment of interest with the EIF was achieved through:</p> <ul style="list-style-type: none"> <i>Requirement for systematic co-investment of EIF own resources under the EFG</i> <i>A fee structure to compensate the EIF for the implementation of the financial instruments which is linked to the achievement of the policy objectives</i> 	<p>Coverage / Frequency: 100 % / once</p>	<p>Costs: estimation of cost of staff involved</p> <p>Benefits:</p> <ul style="list-style-type: none"> Use of experienced entrusted entity in the field of European SME financing Single entrusted entity for both COSME financial instruments (LGF & EFG) allowing full flexibility in budget implementation and use of funding in the most efficient and effective way Only one counter-party for DG GROW for implementation of COSME financial instruments in all participating countries to the COSME programme <p>Effectiveness:</p> <ul style="list-style-type: none"> Use of EIF as entrusted entity allowed full flexibility in negotiations taking also into consideration the IFIs experience and procedures <p>Efficiency:</p>
<p>The International Financial Institution does not have the experience and financial capacities as well as the</p>	<p>Ex-ante assessment of the EIF in accordance with articles 61(1) and 60(2) FR (the so-called six pillar assessment) successfully carried</p>	<p>Coverage / Frequency: 100 % / once</p>	

Main risks	Mitigating controls	Coverage, frequency and level of control	Cost-Effectiveness indicators (three E's)
administrative and control capacities to ensure effective and sound implementation of the Financial Instrument	out prior to the signature of the Financial and Administrative Framework Agreement		<ul style="list-style-type: none"> Time-to-entrust <p>Economy: Use of EIF avoided costly and lengthy selection procedure of International Financial Institution.</p>

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

Main control objectives:

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

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
The call for and selection of the contracted (sub-) financial intermediaries is not in line with FR its Rules of Application criteria for eligibility or exclusion, especially 'alignment	<p>1. Preventive measures:</p> <ul style="list-style-type: none"> Calls for expression of interest published for the financial instruments have been built on the detailed provisions contained in the DA 	<p>Coverage / Frequency: 100 % / once (as continuous call for expression of interest)</p> <p>Depth: detailed provisions determined by the EIF in</p>	<p>Costs: estimation of cost of staff involved in the preparation and validation of the calls and the follow-up of selection of financial intermediaries</p> <p>Benefit of controls:</p>

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<p>of interests' and 'no relations with offshore banking and tax havens'</p>	<ul style="list-style-type: none"> • Approval of the texts of the calls by the Designated Service (DG GROW) prior to their publication <p>2. Due diligence by EIF</p> <ul style="list-style-type: none"> • The EIF has to check the fulfilment of the eligibility conditions of potential financial intermediaries based on agreed procedures in the DA and/or the EIF's own procedures <p>3. Pre-screening of potential financial intermediaries by DG GROW (ex-ante controls):</p> <ul style="list-style-type: none"> • Information on potential financial intermediaries submitted by the EIF to DG GROW through regular pipeline reports • Prior information of DG GROW on pre-selected FIs before they are being proposed to the EIF board for approval 	<p>accordance with the DA, including objective selection and award criteria as well as reporting details</p> <p>Coverage / Frequency:</p> <p>100 % / on a continuous basis (as applications can be submitted to the EIF by a FI at any given point in time)</p> <p>Depth: very detailed</p> <p>Coverage / Frequency:</p> <p>100 % / on a continuous basis (as applications can be submitted to the EIF by a financial intermediaries at any given point in time)</p> <p>Depth: Basic information is provided by the EIF about the proposed transactions, allowing DG GROW to assess a limited number of eligibility criteria.</p>	<ul style="list-style-type: none"> • A detailed call for expression of interest (including selection and award criteria + detailed reporting provisions) reduces the risk of unequal treatment of financial intermediaries applying for support and ensures uptake of the COSME financial instruments • Ex-ante and ex-post controls of selected financial intermediaries ensure that financial intermediaries meet the exclusion and eligibility criteria and that COSME funding is spent in accordance with provisions of legal base and FR (avoids waste of resources) <p>Effectiveness:</p> <ul style="list-style-type: none"> • n° of (successful) challenges received from financial intermediaries on selection procedure • n° of rejections of selected financial intermediaries or Final Recipients • value of equity/loans to be cancelled as a result of these

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<p>The design of the accounting and reporting arrangements would not provide sufficient transparency (True & Fair View)</p>	<p>Implementation of accounting and reporting arrangements by the EIF in accordance with the provisions and principles set out in the DA, to be transposed also into agreements with the selected financial intermediaries where</p>	<p>Coverage / Frequency: Risk-based or representative</p>	<p>controls</p> <ul style="list-style-type: none"> Selected financial intermediaries meet the exclusion and eligibility criteria set out in the DA <p>Efficiency:</p> <ul style="list-style-type: none"> Time-to-select (e.g. time between due diligence and approval of financial intermediaries by the EIF Board) Time-to-contract (e.g. time between the selection procedure and the signature of agreements between EIF and financial intermediaries) <p>Economy</p> <p>Ratio: FTEs + other costs of controls (on-spot controls, outsourcing of technical assistance) / amount implemented</p> <p>Costs: estimation of cost of staff involved in accounting, analysis of reports and handling of identified deficiencies</p>

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<p>exceptional costs would not be in line with the Sound Financial Management objective (e.g. administrative fees unjustifiably high)</p>	<p>an overall cap. Review by the designated service of the statement of expenses together with evidence provided by the International Financial Institution:</p> <ul style="list-style-type: none"> • Incentive fees linked to the achievement of policy objectives, substantiated through the annual operational reports to be submitted for the LGF and the EFG • Overall fee cap for admin and incentive fees of 6 % of EU Contribution Committed • The authorisation for the EIF to withdraw fees and exceptional expenses from the LGF/EFG fiduciary accounts is subject to the financial workflow in place in GROW/H (designated service), including independent financial ex-ante verification <p>Specific provisions in the DA:</p> <ul style="list-style-type: none"> • Quarterly operational reporting to be provided for the 	<p>end of the implementation period or termination of the agreements concluded by the EIF with an financial intermediary or the closure of operations under a Financial Instrument, whichever period is the longest</p> <p>100 % / annually</p>	<p>Financial and Administrative Framework Agreement /DA and internal DG GROW financial procedures</p> <p>Economy: Ratio of remuneration and costs versus actually managed funds</p> <p>Cost of control FTEs / value of errors detected</p>

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<p>During the operations, the policy objectives reflected under the DA in terms of eligible financial intermediaries and Final Recipients and/or the compliance, eligibility, reporting and other contractual obligation requirements would not be respected</p>	<p>implementation of LGF and EFG, including achievement of policy objectives (e.g. amount of financing / investments made available to eligible final recipients, number of eligible final recipients, leverage achieved)</p> <ul style="list-style-type: none"> • EIF is required to carry out monitoring and controls, including on-the-spot verifications, covering financial intermediaries, financial sub-intermediaries where applicable and Final Recipients and to provide an annual report on the monitoring activities carried out, summarising the findings and follow-up activities <p>The agreements between the EIF and the financial intermediaries contain relevant reporting, monitoring and audit obligations.</p>	<p>Coverage / Frequency:</p> <p>100 % / quarterly</p> <p>Risk-based or representative sample / on a continuous basis for the monitoring and control activities</p>	<p>Costs: estimation of cost of staff involved in the monitoring and supervision</p> <p>Benefits: Regularity and legality of operations, respect of policy objectives</p> <p>Effectiveness:</p> <p>Reaching the indicators set out in the COSME legal base over the lifetime of the COSME programme (accumulative data)</p>

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

Main control objectives:

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

Main risks	Mitigating controls	Coverage and level of control	Cost-Effectiveness indicators (three E's)
<p>The entrusted entity provides support to activities which are not contributing to achieving the policy objectives and the implementation is not in compliance with applicable regulations and is not in accordance with the principle of sound financial management</p> <p>Internal control weaknesses, irregularities, errors and fraud are not detected and corrected by the entrusted entities, resulting in that the EU funds are not achieving the policy objectives and are in non-compliance with applicable</p>	<p>Monitoring or supervision of the EIF as set out in the DA and FAFA</p> <p>Regular reporting by the EIF to DG GROW (Designated Service) on the operational and financial performance, including the financial statements, management declaration, summary of audits and controls carried out during the reporting year (to be discussed also in the respective LGF and EFG Steering Committees)</p> <p>Independent audit opinion</p> <p>In case of weak reporting, negative audit</p>	<p>Coverage:</p> <ul style="list-style-type: none"> • Step 1: Representative sample of transactions carried out • Step 2: Identified deficiencies leading to more in-depth controls and/or audits. <p>Level of control: depends on risk criteria</p>	<p>Costs:</p> <ul style="list-style-type: none"> • estimation of the cost of staff involved in the monitoring of the Financial Instrument. • Cost of contracted services, if any. • Cost of audits <p>Benefits:</p> <ul style="list-style-type: none"> • funds used for intended purpose • detection of any non-compliance events (value) <p>Effectiveness:</p> <ul style="list-style-type: none"> • Unqualified audit opinions

Main risks	Mitigating controls	Coverage and level of control	Cost-Effectiveness indicators (three E's)
<p>regulations</p> <p>The Financial Instrument transactions lead to contingent liabilities for the EU</p> <p>The governance chain between the responsible and the accountable parties involved is unclear (Commission, International Financial Institution, Financial Intermediaries, sub-Financial Intermediaries and Final Recipients)</p>	<p>opinion, high risk operations, etc.: reinforced monitoring/ supervision controls, random and/or case/risk-based audits at the IFI and (sub) Financial Intermediary levels.</p> <p>Referring Financial Intermediaries to OLAF</p> <p>DA provisions:</p> <ul style="list-style-type: none"> • EU exposure/liability limited to the EU Contribution Committed • Official notification procedure on the EU Contribution Committed (including repayments) • Currency exposure fully hedged upfront <p>Regular submission of disbursement and repayment (assigned revenue) forecasts</p> <p>Reporting on financial risk & off-balance-sheet liabilities</p> <p>Reporting on treasury management</p> <p>Clear provisions in the DA on governance chain and frequency/deadlines of reports</p>		<ul style="list-style-type: none"> • Number of control failures detected; value of the issues concerned prevented/corrected • Detected error rate resulting from ex-post audits • Number and value of internal control, auditing and monitoring "issues", number of interventions, number of issues under reinforced internal control, auditing and monitoring, number of very important IAS recommendations and ECA findings. • Number of cases submitted to OLAF <p>Efficiency:</p> <p>Timely delivery of reports and their reliability</p> <p>Economy:</p> <p>Management (fees) and supervision costs (FTE) over assets under management</p> <p>Average cost per Financial Instrument; % cost over value delegated</p> <p>Costs/Benefits ratio</p>

RCS N° 3: Procurement

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

Stage 1 – Decision to launch a procurement procedure

A - Planning

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

Main risks	Mitigating controls	Coverage	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none">- The procurement needs are not clearly defined or justified from an economic or operational point of view- Discontinuation of the services provided due to poor/late planning and organisation of the procurement process- Lack of expert knowledge and experience in the highly regulated field of procurement which may lead to the wrong choice of procedure/thresholds and the splitting of purchases- Conflict of interests	<ul style="list-style-type: none">- Publication of intended procurements- Validation of clear definition and justification of procurement needs by AOSD before call launch- Detailed manual of budgetary and financial procedures available on the DG's intranet- In-house technical training on procurement by experienced officers in grant and procurement management (PPGM Team) from GROW.R1- Regular information on ethics, integrity and fraud awareness to all staff involved in the procurement process	<ul style="list-style-type: none">- 100 % of forecast procurements are encoded in the DG GROW Planning and Forecast Tool for monitoring	<p>Costs:</p> <ul style="list-style-type: none">- estimation of FTEs involved and the related contract values (if external expertise is used) <p>Quantified Benefits:</p> <ul style="list-style-type: none">- Amount of rejection of unjustified purchases <p>Non Quantified Benefits:</p> <ul style="list-style-type: none">- Avoidance of litigation- DG GROW reputation intact <p>Effectiveness:</p> <ul style="list-style-type: none">- n° of ECA observations and % error rate on choice of procurement procedure- n° of successful legal on errors in the procurement procedures

B - Needs assessment & definition

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

Main risks	Mitigating controls	Coverage frequency and level of controls	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - Risk of not obtaining value for money due to lack of market analysis and/or poor definition of selection criteria - Risk of unequal treatment resulting in litigation, due to selection criteria favoring one contractor - Risk of not receiving the best offers due to the poor definition of the tender specifications (disproportion between contract value and selection/award criteria, or specifications too vague) - Risk of non-compliance with legality and regularity and criticism on choice of procedure due to limited competition and high proportion of negotiated procedures in sometimes very technical and complex markets - Lack of proper understanding of the needs of the operational service leading to inappropriate application of rules. 	<ul style="list-style-type: none"> - Encourage use of open procedures, even in captive or restrictive markets - Technical specifications are prepared and validated by at least 2 staff members, and approved by the responsible Directorate before the launch of the call for tender - Verification and validation of tender documents by experienced officers in grant and procurement management (PPGM Team) in GROW.R1 before the launch of the call for tender - Accurate in-depth verification of the tender documents by the PPGM Team to ensure understanding of the needs of the service in order to provide constructive feedback upon verification and validation of tender documents. 	<ul style="list-style-type: none"> - 100 % of the specifications are verified. The level of the ex-ante controls may be determined by the amount and/or the impact on the objectives of the DG if it goes wrong - 100 % of the tenders above a financial threshold (e.g. > € 15.000) are reviewed. The level of control is risk-based, also depending on sensitivity of the procurement file. 	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of FTEs involved and the related contract values (if external expertise is used) <p>Quantified Benefits:</p> <ul style="list-style-type: none"> - Value of contracts for which the approval and supervisory control detected material error (negative opinion issued by the PPGM Team at DG GROW (Public Procurement and Grants Management team). <p>Non quantified Benefits:</p> <ul style="list-style-type: none"> - Limit the risk of litigation - Limit the risk of cancellation of a tender <p>Effectiveness:</p> <ul style="list-style-type: none"> - N° of suspensive opinions provided by the PPGM Team - N° of 'open' procedures or procedures where only one or no offers were received

C – Evaluation & Award

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

Main risks	Mitigating controls	Coverage frequency and level of control	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - The most economically advantageous offer is not selected due to a biased, inaccurate or 'unfair' evaluation process - Over-consumption of resources (human and financial) due to errors or mismanagement leading to award decisions being contested (resulting in Court and Ombudsman cases) - Damage to the DG's reputation if fraud or criminal behaviour is discovered (conflict of interest) 	<ul style="list-style-type: none"> - All evaluations involve the use of opinions of more than one qualified official. The evaluation process is more regulated and formalised as the contract value increases. - Risk based approach: higher risk contracts have more in-depth checks - Review and issue of an opinion on evaluation and award process by experienced officers in grant and procurement management (PPGM Team) in GROW.R1 before award of the contract 	<ul style="list-style-type: none"> - Formal evaluation process: Opening and Evaluation committees for all tenders > € 135.000 including signature of declarations of absence of conflict of interests by the committee members - <u>Risk based approach:</u> <ol style="list-style-type: none"> 1) second review of evaluation and award documents and process by an ad hoc committee of Directors chaired by the Deputy Director General > € 10 million 2) validation of negotiated procedures > € 50.000 by the Director-General prior to any negotiation 3) validation of negotiated procedures > € 1 million by ad hoc committee chaired by the Deputy Director-General and two Directors prior to any negotiation 	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of FTEs involved and the related contract values (if external expertise is used) <p>Quantified Benefits:</p> <ul style="list-style-type: none"> - Difference between the most onerous offer and the selected one - N° or value of contracts subject to complaints / irregularities - N° of procurements not challenged during standstill period <p>Non quantified Benefits:</p> <ul style="list-style-type: none"> - Compliance with the Financial Regulation - Best value for money <p>Effectiveness:</p> <ul style="list-style-type: none"> - n° of ECA observations and % error rate concerning evaluation & award stage - N° of suspensive opinions provided by the PPGM Team - n° of complaints or Ombudsman or

Main risks	Mitigating controls	Coverage frequency and level of control	Cost-Effectiveness indicators (three E's)
		<ul style="list-style-type: none"> - 100 % of the offers are evaluated by more than one qualified staff member - 100 % of evaluations are checked. - The level of control is risk-based, also depending on the total value of the procurement file. 	<p>Court cases resulting from non-compliant procurement process</p> <p>Efficiency:</p> <ul style="list-style-type: none"> - Time-To-Contract <p>Contract value/cost of FTEs involved in control of contracts</p>

Stage 2 – Contract Management and Financial transactions

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

Main risks	Mitigating controls	Coverage frequency and level of control	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - Bad or non-execution by the contractor, leading to serious issues if contractual deliveries are critical and no short term alternatives are available (risk of over-dependency on certain contractors) - The products/services foreseen are not, totally or partially, provided in accordance with the technical description and requirements foreseen in the 	<ul style="list-style-type: none"> - Checks on financial capacity and viability of contractors prior to awarding the contract - Close monitoring of contracts, with possible on-site verifications, particularly of high value contracts resulting from negotiated procedures - Checks on both operational and financial issues carried out at appropriate level using the most qualified staff. As 	<ul style="list-style-type: none"> - 100 % of the contracts are controlled, including only value-adding checks - For riskier operations, in-depth ex-ante verification - High risk operations identified by risk criteria - For high risk operations, reinforced monitoring of the respect of the timely achievement of the contract's 	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of FTEs involved <p>Quantified Benefits:</p> <ul style="list-style-type: none"> - Amount of irregularities, errors and overpayments prevented by the controls <p>Non quantified Benefits:</p> <ul style="list-style-type: none"> - DG reputation intact <p>Effectiveness:</p> <ul style="list-style-type: none"> - n° of ECA findings and % error rate

Main risks	Mitigating controls	Coverage frequency and level of control	Cost-Effectiveness indicators (three E's)
<p>contract and/or the amounts paid exceed that due in accordance with the applicable contractual and regulatory provisions</p> <ul style="list-style-type: none"> - Risk of bad execution due to undetected errors on uncorrected imprecisions in offers or tendering specifications - Business discontinues, because contractor fails to deliver - Plagiarism (studies, reports) - Fraud 	<p>defined in the in accordance with the financial circuits</p> <ul style="list-style-type: none"> - Possibility to run a plagiarism check of reports submitted by contractor - Management of sensitive functions 	<p>milestones by the contractor</p>	<p>relating to contract management /payment stage</p> <ul style="list-style-type: none"> - N° of court cases resulting from the execution of the contract - % budget execution rate – total amount committed/paid versus total budget envelope - % of contracts implemented - n° of very important audit recommendations from the IAS or findings from ECA <p>Efficiency:</p> <ul style="list-style-type: none"> - Time-To-Pay - Late interest payment and damages paid (by the Commission) - Coverage of 1st and 2nd level ex-ante controls <p>Economy:</p> <ul style="list-style-type: none"> - Average n° of contracts per procurement control FTE - cost of control per running contract % cost over annual amount disbursed

Stage 3 – Supervisory measures

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

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

RCS N° 4: Grants

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

Stage 1 – Programming, evaluation and selection of proposals

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

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

Main risks	Mitigating controls	Coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none">- Work Programmes and subsequent calls do not adequately reflect the policy objectives, priorities are incoherent and/or the essential eligibility, selection and award criteria are not adequate to ensure the evaluation of the proposals- Work Programmes are inconsistent within the other family DGs and with the 7 year framework- Work Programmes overlap with other programmes (by other	<ul style="list-style-type: none">- Hierarchical validation within the authorising department- Inter-service consultation, including all relevant DGs- Adoption by the Commission <p><u>Recommended:</u></p> <ul style="list-style-type: none">- Centralised checklist-based verifications- Explicit allocation of responsibility to individual officials (reflected in task assignment or function descriptions)- Ex-post monitoring: lessons-	<p>If risk materialises, all grants awarded during the year under this WP or call would be irregular. Possible impact: 100 % of budget involved and significant reputational consequences.</p> <p>Coverage / Frequency: 100 %</p> <p>Depth: All Work Programmes are thoroughly reviewed at all levels, including for operational and legal aspects.</p>	<p>Costs:</p> <ul style="list-style-type: none">- Estimation of cost of staff involved in the preparation and validation of the calls (including those involved in the draft of the Work Programmes). <p>Benefits:</p> <ul style="list-style-type: none">- Publicity of the calls for proposal to attract the best proposals.- The (average annual) total budgetary amount of the programmes with significant errors detected and corrected.

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

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

Main control objectives: Ensuring that the most promising projects for meeting the policy objectives are among the proposals selected

(effectiveness); Compliance (legality & regularity); Prevention of fraud (anti-fraud strategy)

Main risks	Mitigating controls	Frequency and level of control	Cost-Effectiveness indicators (three E's)
- Evaluation, ranking and selection of proposals not	- Selection and appointment of expert evaluators	- 100 % vetting (including selecting) of expert evaluators	Costs: <ul style="list-style-type: none"> - Estimation of cost of staff involved in

Main risks	Mitigating controls	Frequency and level of control	Cost-Effectiveness indicators (three E's)
<p>carried out in accordance with the established procedures, policy objectives and priorities</p> <ul style="list-style-type: none"> - Eligibility, selection and award criteria too ambiguous or otherwise inadequate to ensure that grants are awarded to the actions which maximise the overall effectiveness of the EU programme - Unauthorised persons may have access to the electronic system for the management of the calls - Unequal treatment of applicants: inappropriate contacts and/or conflict of interests with certain applicants during the procedure - Monopoly of certain bodies insufficiently justified 	<ul style="list-style-type: none"> - Assessment of evaluation procedure by independent experts - Review of evaluation results by an ad hoc committee for big calls - Review of the evaluation file by PPGM - Validation by the AO of ranked list of proposals. In addition, if applicable: opinion of advisory bodies; comitology; inter-service consultation, adoption by the Commission; publication - Redress procedure 	<p>for technical expertise and independence (e.g. conflicts of interests, nationality bias, ex-employer bias, collusion)</p> <ul style="list-style-type: none"> - 100 % of proposals are evaluated - 100 % of ranked list of proposals. Supervision of work of evaluators. - 100 % of contested decisions are analysed by a redress committee 	<p>the evaluation and selection of proposals</p> <ul style="list-style-type: none"> - Cost of the appointment of experts and of the logistics of the evaluation <p>Benefits:</p> <ul style="list-style-type: none"> - 'quality allocation' assurance of the whole committed budget (as it will have been checked ex-ante and is considered reasonable in the interests of the programme) <p>Qualitative benefits:</p> <ul style="list-style-type: none"> - Expert evaluators from outside the Commission bring independence, state of the art knowledge in the field and a range of different opinions. This will have an impact on the whole project cycle : better planned, better executed projects <p>Effectiveness:</p> <ul style="list-style-type: none"> - % of proposals evaluated within the year/proposals received - % of n° of (successful) redress challenges / total n° of proposals received - Ratio of proposals received to

Main risks	Mitigating controls	Frequency and level of control	Cost-Effectiveness indicators (three E's)
			<p>proposals selected ("oversubscription" rate)</p> <ul style="list-style-type: none"> - No successful litigation cases <p>Efficiency:</p> <ul style="list-style-type: none"> - Average Time-To-Publication of selection results <p>Economy:</p> <ul style="list-style-type: none"> - Average evaluation cost per proposal (external experts paid only) - % cost of control over annual amount disbursed in grants

Stage 2 - Contracting

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

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

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

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

Main risks	Mitigating controls	Frequency and level of control	Cost-Effectiveness indicators (three E's)
<ul style="list-style-type: none"> - The actions foreseen are not, totally or partially, carried out in accordance with the technical description and requirements foreseen in the grant agreement and/or the amounts paid exceed those due according to the applicable contractual and regulatory provisions. - Eligibility conditions of the beneficiary may change during the implementation (e.g. SME bought by a larger company or a company becoming controlled by a third state) - Reimbursement of ineligible 	<ul style="list-style-type: none"> - Kick-off meetings and "launch events" involving the beneficiaries in order to avoid project management and reporting errors - Explain and clarify at front rules on eligibility criteria (most current cases) - Effective external communication about guidance to the beneficiaries - Operational and financial checks in accordance with the financial circuits. - Operation authorisation by the AO - For riskier operations more in-depth ex-ante controls. 	<ul style="list-style-type: none"> - 100 % of the projects are controlled, including only value-adding checks - Riskier operations subject to more in-depth controls - The level of control depends on risk criteria. However, in order to ensure a good balance between trust and control, the level of control at this stage is reduced to a minimum. - High risk operations identified by risk criteria: suspicions raised by staff, delayed interim deliverables, suspicion of plagiarism, unstable consortium, requesting many amendments, EDES or anti-fraud flagging, etc. 	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of cost of staff involved in the actual management of running projects <p>Benefits:</p> <ul style="list-style-type: none"> - part of budget value of the costs claimed by the beneficiary, but rejected by staff - Reductions in error rates identified by audit certificates - Budget value of penalties and liquidated damages. - Benefits due to operational review of projects and consequent corrective actions imposed on projects

Main risks	Mitigating controls	Frequency and level of control	Cost-Effectiveness indicators (three E's)
<p>costs by DG GROW (e.g. due to overinflated timesheets, subcontracting of core activities or without prior tendering procedure)</p> <ul style="list-style-type: none"> - Several authorising officers implement the same programme and do not treat the beneficiaries equally - Insufficient operational performance monitoring of beneficiaries by project officers 	<p>Scientific reviews if necessary.</p> <ul style="list-style-type: none"> - When needed: application of suspension/interruption of payments, penalties or liquidated damages, earmark projects for risk-based ex-post audit, refer grant/beneficiary to OLAF 	<ul style="list-style-type: none"> - Audit certificates required for any beneficiary claiming significant EU contribution, e.g. in Horizon 2020 	<p>Effectiveness:</p> <ul style="list-style-type: none"> - % and value of reductions made to EC contribution paid out through the ex-ante desk checks / total value of cost claims desk-checked - % of payments suspended - n° of cost claims desk-checked <p>Efficiency:</p> <ul style="list-style-type: none"> - % and value of reductions made to EU contribution paid through ex-ante desk checks/total value of cost claims checked - Average n° & value of projects managed 'per' staff FTE - Average Time-To-Pay - Average payment suspension time (days) <p>Economy:</p> <ul style="list-style-type: none"> - % cost of ex-ante control (cost/total amount of grant payments) - Average project management cost (staff FTE * standard staff cost) per running project

Stage 4 - Ex-Post controls

A - Reviews, audits and monitoring

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

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

Main risks	Mitigating controls	Frequency and level of control	Cost-Effectiveness indicators (three E's)
	<p>(programme's lifecycle) and coordination with other AOs concerned (to detect systemic errors). In case of systemic error detected, extrapolation to all the projects run by the audited beneficiary</p> <ul style="list-style-type: none"> - Validate audit results with beneficiary - If needed: refer the beneficiary or grant to OLAF 		<p>from audit.</p> <p>Effectiveness:</p> <ul style="list-style-type: none"> - DG GROW grants : Detected Error Rate - Value of errors detected - Total and Average ex-post audit cost (in-house and/or outsourced) <p>Efficiency:</p> <ul style="list-style-type: none"> - N° of audits finalised - % of beneficiaries and of value covered by ex-post audits <p>Economy:</p> <ul style="list-style-type: none"> - Total and average ex-post audit cost

B - Implementing results from ex-post audits/controls

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

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

ANNEX 7: Specific annexes related to "Financial Management"

Table Y – Overview of DG's/EA's estimated cost of controls at Commission (EC) level:

Title of the Relevant Control System (RCS)/	Ex ante controls			Ex post controls			Total**	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	EC total costs	related funds managed/concerned	Ratio (%)** (a)/(b)	EC total costs	total value verified and/or audited	Ratio (%) (d)/(e)	EC total estimated cost of controls (a)+(d)	Ratio (%)** (g)/(b)
RCS 1 : Budget entrusted to other entities	152,903	50,068,504	0.31%				152,903	0.31%
RCS 2 : Financial instruments	9,582,559	268,819,106	3.56%				9,582,559	3.56%
RCS 3: Assets								
RCS 4: Procurement	5,594,527	48,113,892	11.63%				5,594,527	11.63%
RCS 5: Grants	2,797,902	23,277,921	12.02%	26,640	1,033,365	2.58%	2,824,542	12.13%
OVERALL estimated cost of control at DG GROW	18,127,891	390,279,424	4.64%	26,640	1,033,365	2.58%	18,154,531	4.65%

Executive Agency

In 2020, DG GROW supervised the Executive Agency EASME as lead parent DG. The preparation of the Annual Activity Report (AAR) of EASME was supervised by DG GROW in the frame of the Steering Committee.

In its capacity of parent DG, DG GROW supervises the control system⁶ of EASME in the context of their direct delegations as Authorising Officer by Delegation (AOD). DG GROW took note that EASME will insert a reservation regarding the implementation of the COSME programme in its 2020 Annual Activity Report. This reservation must be done because the residual error rate for the COSME programme is 2,96%, exceeding the 2 % materiality level at the end of 2020 and is substantial according to DG BUDG guidelines. An action plan will be presented to the Steering Committee. It will detail the ex-ante/ex-post controls already taken and/or to be taken by the Agency in order to reach a multi-annual error rate below 2%. This reservation should not impact the DG GROW AAR 2020 because the part of the grants of the COSME programme implemented by DG GROW, is below EUR 5 million and less than 5% of total payments.

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

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

Specialised Union bodies

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

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

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

Based on the Declarations of Assurance on both financial instruments and the respective reports on audits and controls, which are submitted by the EIF, DG GROW has reasonable assurance in all material aspects that the EU funds delegated to EIF are used for the

⁶ The control systems of the Executive Agencies are similar to those of their parent DGs.

intended purposes, including regarding legality and regularity. DG GROW also considers that the operational and financial reporting requirements set out in the COSME Delegation Agreement provides sufficient and relevant information and figures to ensure sound and efficient management of the policy aspects of these financial instruments.

Procurement

Procurement under direct management represents 8.38 % of the total 2020 DG GROW expenditure. The payments made in 2020 on own procurement amount to 44,9 MEUR.

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

In 2020, 27 contracts with a value exceeding EUR 60,000 were awarded directly by DG GROW, representing a total contract value of EUR 54,1 million. Only one procurement was awarded based on a negotiated procedure without prior publication for 122 KEUR (see Annex 3, table 12) .

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

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

Grants directly managed by DG GROW

DG GROW manages directly both operating and action grants in the policy areas of SME, Tourism and Standardisation. The first two areas represent a very small part of the payments which is below 1% while the payments for grants in the Standardisation area represent a 3.5%.

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

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

ANNEX 9: Reporting – Human resources and digital transformation and information management

Human Resources

Performance indicators

Objective: DG GROW employs a competent and engaged workforce and contributes to gender equality at all levels of management to effectively deliver on the Commission's priorities and core business

Indicator 1: Number and percentage of first female appointments to middle management positions






Baseline (01/12/2019)	Interim milestone (2022)	Target (2022)	Latest known result (2020)
44% (19 out of 43)	Increase	2 first female appointments	1 first female appointment

Indicator 2: DG GROW staff engagement index

Baseline (2018)	Interim milestone (2020)	Target (2024)	Latest known result (2020)
68%	78%	83%	Result from the pulse surveys carried out in 2020/2021: 69%.

Objective: DG GROW employs a competent and engaged workforce and contributes to gender equality at all levels of management to effectively deliver on the Commission's priorities and core business

Main outputs in 2020:

Action 	Output 	Indicator 	Target 	Status 
Mobility & staff allocation	Continue promoting internal mobility and flexible staff allocation.	<ul style="list-style-type: none"> Statutory staff vacancy (methodology to be defined at corporate level) External budget execution No. of successful internal publications No. of staff changing tasks (change in job descriptions) No. of FTA's shared in directorates 	<ul style="list-style-type: none"> Statutory staff vacancy rate (methodology to be defined at corporate level) External budget execution close to 99% 1:2 ratio on No. of internal publications : No. of Sysper publication 	<ul style="list-style-type: none"> Methodology for vacancy rate to be defined at corporate level) 96.1% avg. Due to the pandemic, some of the recruiting processes for external staff were slowed down becoming unpredictable. Therefore the time for recruiting external staff suffered from marginal inefficiency resulting in low level of budgetary execution. The ratio was not achieved. There are three reasons behind this phenomenon: 1) high uncertainty in mobility deriving from the COVID-19 crisis, 2) scouting of profiles not abundant in DG GROW

Objective: DG GROW employs a competent and engaged workforce and contributes to gender equality at all levels of management to effectively deliver on the Commission's priorities and core business

				(economists, data scientists), 3) high share of publications linked to management positions.
Contract Agent pool	Rebalance the contract agent pool through an increase of contract agents of function group IV in relation to III contracts.	<ul style="list-style-type: none"> • Increase of No. of contract agents of function group IV 	<ul style="list-style-type: none"> • +12 reconversions of contract agents CA III to function group IV 	<ul style="list-style-type: none"> • 7. However, DG GROW finalised the planning of credit usage for Contract Agents, identifying the posts that need final alignment between FG and tasks. The whole conversion process should end by the beginning of the second quarter of 2021.
Pool of specialist profiles	Increase the pool of specialist profiles to be able to recruit from.	<ul style="list-style-type: none"> • Organisation of a specialist competition • Additional new channels for sourcing are envisaged, i.e. LinkedIn calls for contract agents and temporary agents. 	<ul style="list-style-type: none"> • One extra specialist competition (chemists) • At least 2 new job posting channels to be identified and used for external recruitment (officials and CA) 	<ul style="list-style-type: none"> • Chemist competition finalized in its preparation in the first half of 2020 with DG ENV. The final launch has been nonetheless postponed due to delays in the EPSO processes due to the COVID pandemic. • New channels of job posting were investigated but an assessment on the efficiency of connected procedures have been developed. DG GROW decided that it was not efficient to pursue further this objective
Gender balance – first female middle manager appointments	Reaching quantitative DG-specific targets for first female appointments to middle management functions.	<ul style="list-style-type: none"> • New quantitative DG-specific targets set by DG HR when available 	<ul style="list-style-type: none"> • 50% or No. of first female appointments as middle managers (heads of unit) 	<ul style="list-style-type: none"> • 100% (4 out of 6)
Selection interviews	Change the way recruitment interviews are being conducted through increased use of virtual means.	<ul style="list-style-type: none"> • No. of candidates interviewed by virtual means (phone, video) 	<ul style="list-style-type: none"> • 20% of No. of candidates interviewed by virtual means (phone, video) 	<ul style="list-style-type: none"> • 100%. All candidates as from March 2020. The pandemic tested the ability of DG GROW management to deliver recruiting processes by virtual means. After a short adaptation phase, as from April 2020 all the recruiting processes have been handled by remote means.
Telework	Even after the pandemic is over, increase the % of people on (regular and occasional) telework to achieve minimum Commission average.	<ul style="list-style-type: none"> • % of colleagues on structural telework • % of colleagues on occasional telework 	<ul style="list-style-type: none"> • % of DG GROW closer to Commission average for colleagues on structural telework 	The pandemic tested the ability of DG GROW staff to deliver their tasks by fully virtual means. After a short adaptation phase, as from April 2020 all the processes have been handled by remote means
Communities of practice	Promoting further exchange and belonging through communities of	<ul style="list-style-type: none"> • Increase No. of communities of practice 	<ul style="list-style-type: none"> • At least 3 contacts or kick-off meetings per 	<ul style="list-style-type: none"> • The pandemic lowered considerably the ability to launch new discussions over

Objective: DG GROW employs a competent and engaged workforce and contributes to gender equality at all levels of management to effectively deliver on the Commission's priorities and core business

	practice.	<ul style="list-style-type: none"> No. of physical or virtual meetings or contacts. 	network before the end of the year	communities of practices. However, in 2020 DG GROW launched: 1) the recurring meeting of GodParents of the Ecosystems; 2) recurring meetings with all managers at all levels (all managers meetings), reactivated the deputy Head of Unit network; and 3) meetings on the Brexit DG GROW task force
Cross DG project teams	Set-up of visible project teams for GROW flagship policies.	<ul style="list-style-type: none"> No. of project teams 	<ul style="list-style-type: none"> At least one 	<ul style="list-style-type: none"> Starting from the new concept of the Ecosystems, new business processes were engineered in order to make the parigm work in a collaborative manner.
Learning & Development	Promote virtual and e-learning opportunities for staff (i.e. webinars, e-learning modules)	<ul style="list-style-type: none"> No. of trainings followed by GROW staff 	<ul style="list-style-type: none"> 10% of trainings followed by virtual means 	<ul style="list-style-type: none"> Online/virtual courses: 69%
Leadership training	Educate and support managers in leading remote and virtual teams, including dealing with new team dynamics.	<ul style="list-style-type: none"> No. of mini-sessions for managers No. of unit meetings where at least 1 person is connected remotely 	<ul style="list-style-type: none"> At least 5 mini-sessions for managers – to be confirmed 25% of unit meetings where at least 1 person connects by remote means – to be confirmed 	<ul style="list-style-type: none"> Whilst GROW did not offer own local trainings to managers on leading remote teams, we promoted extensively the corporate offer DG GROW updated the meeting rooms with systems for hybrid meetings. However, no real data were collected on the number of hybrid meetings that took place during the year due to COVID pandemic.
Management Charter	Follow up on the GROW Management charter implementation by managers.	<ul style="list-style-type: none"> Staff survey 	<ul style="list-style-type: none"> 1 Follow up survey on Management Charter implementation to all staff 	<ul style="list-style-type: none"> DG GROW started an internal process: the Fit4Purpose exercise. In light of the strong mobility that the exercise would have brought, DG GROW decided to postpone this exercise to 2021.
Regular staff career talks	Provide regular staff talk opportunities and coaching for colleagues, in particular those beyond 4 years in the post, to support them in their career development (build on the learning of the 4-year career talks exercise for Assistants conducted in 2019)	<ul style="list-style-type: none"> No. of staff received for career talks by HR BC No. of staff received for career talks by AMC1 career guidance officers Number of staff received for career talks by Internal Coaches 	<ul style="list-style-type: none"> At least 2 "career talks weeks" for DG GROW staff by HR BC No. of staff received for career talks by AMC1 career guidance officers No. of staff received for career coaching by Internal Coaches 	<ul style="list-style-type: none"> Due to reorganisation, conducted career talks during chambre d'ecoute (2 weeks), plus in corporate Career Day 43 clients from GROW in 73 sessions (avg. 2 sessions per client) 25 staff received for career coaching
Senior Expert and Senior	Build a career path for Senior Experts		<ul style="list-style-type: none"> White Paper on Expert career 	<ul style="list-style-type: none"> In the 2020 exercise, one colleague stepped down

Objective: DG GROW employs a competent and engaged workforce and contributes to gender equality at all levels of management to effectively deliver on the Commission's priorities and core business

Assistant Career	and Senior Assistants in promoting an expert career as an alternative to the management career.		(interview of SE population of DG GROW)	from the DHoU position and was appointed senior expert thanks to his expertise on a specific field. This is the result of the promotion of the SE career as an alternative career to the management one.
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Internal communication

During last year, a great effort was made to increase staff engagement and the knowledge of the DG via internal communications actions. Those actions helped the staff to feel part of a community, share the the same values and culture and develop their understand of the political priorities.

- DG GROW has an official GROW Weekly newsletter, which incorporates intra-DG news as well as information related to the work of other DGs, central services, HR matters and trainings. GROW Weekly newsletter aims to provide both business and pleasure content and ensure that colleagues receive all the latest news and updates relevant to their work, to HR/well-being matters from GROW and beyond. In the GROW Weekly newsletter, we also promote the work/local newsletters produced by various units (Digital weekly digest, Economic briefing, etc.).
- Internal Communication prepares Daily updates that have purely policy/news-based content. These include midday express news relevant for DG GROW, Twitter section (top tweets by DG GROW, Director-General, Commissioner Breton and the Commission/President von der Leyen), historical events and biggest news of the day from major European press outlets.
- All staff meetings are weekly GROW-wide WebEx chats that aim to facilitate information flow and information-sharing between staff and senior managers.
- Management debriefs by Directors from senior management meetings are also a regular weekly exercise.
- DG GROW is currently using both GROWnet and MyGrowth for sharing information. While MyGrowth is the landing page for GROW staff, many colleagues and units continue to collaborate via GROWnet. GROW's intranet is highly active and dynamic tool of internal communication, updated and maintained daily. We use MyGrowth to inform on upcoming initiatives, to share messages and praise achievements. We are using GROWnet for interactive content, where colleagues can chat, comment and like items – this allows for better collaboration as well as information gathering for communication and information-sharing methods and purposes.
- In 2020 we also launched a GROW-wide IT survey on colleagues needs and preferences in field of digital technology.
- The 'Postcards from the office' initiative was a GROW-wide campaign to share experiences with colleagues gradually returning to the office before the Commission scaled back to Covid-19 Phase 0. Colleagues took numerous pictures and commented on empty halls and new ways of hybrid working methods. The postcard campaign will be re-launched once the situation allows.
- A lunchtime event on the occasion of the Transport & Tourism package took place in DG GROW with the participation of JRC, SG and DG GROW's senior management.

Digital transformation and information management

Performance indicators

Objective: DG GROW employs a competent and engaged workforce and contributes to gender equality at all levels of management to effectively deliver on the Commission's priorities and core business

Indicator 1: Degree of implementation of the digital strategy principles by the most important IT solutions

Baseline (2019)	Interim milestone (2022)	Target (2024)	Latest known result (2020)
0%	40%	100%	56%

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





Baseline (2019)	Interim milestone (2022)	Target (2024)	Latest known result (2020)
25%	50%	90%	50%

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

Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known result (2020)
5%	50	100	83% of GROW Units attended training or info sessions

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

Main outputs in 2020:

Output 	Indicator 	Target 	Status 
A) Guidelines on data assets' management and sharing in DG GROW, including roles responsibilities, and business processes aligned with the corporate standards. B) Guidelines for a data-driven development of GROW information systems.	Guidelines are approved by the ITSC and introduced in the practice of the DG. Degree of implementation of the guidelines by data-owners and data managers in DG GROW. Application Development Guidelines are introduced. Share of projects screened for compliance. Share of projects in compliance with the guidelines.	A) Finalization of the guidelines for data-owners and data managers by the end of the 2020 Two workshops with data managers organised by the end of 2020. B) Finalisation of the application developer guidelines by end 2020.	A) Done: Guidelines for data owners and data managers submitted for approval by the ITSC (in January 2021) Ad-hoc guidance provided. The workshops will take place after approval of the guidelines in Q1 2021. B) Guidelines for data driven development in the process of being drawn up – to be finalised Q3 2021
Launch of projects and services using innovative technologies and new sources of data, in the area of visualisation, data	No. of projects and services offered/delivered to the user.	Launch of at least 3 projects/services by the end of 2020.	Done: More than 3 data projects (for postal statistics, retail restrictiveness indicator, eCertis, public procurement) have been launched in 2020, mainly on data

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

analytics and data architecture.			visualization.
	No. of workshops offered raising awareness on services offered.	Two workshops on visualization. Increase of the % of key data assets for which corporate principles for data governance have been implemented	Corporate workshops on data visualization have been promoted internally. Two workshops organized with GROW policy units are scheduled for Q1 2021 Corporate principles for data governance: the SG has yet to share guidance on how to assess this (announced for the coming weeks). This can realistically be evaluated only in 2021 (also following promotion of the guidelines and update of the data inventory following the reorganization).
Establishing a joint Data community of practice to launch the reflection in the Single Market family about modernisation of the use of Single Market data.	No. of active members and contributors No. of topics discussed No. of solutions found Participation and satisfaction rates	At least two collaborative data projects launched between units. Develop a joint data community of practice, supporting Single Market Policies and the delivery of the objectives of the Single Market Programme.	Done: A joint group of the Single Market family of DGs has been set up on Teams in the context of the IMSB. In 2021, the priority will be to animate a space dedicated to launching new initiatives. Collaborative data projects have been discussed in the area of Data4Recovery.
Provision of a common facility for collecting user feedback across out-facing web applications.	No. of web applications with the feedback facility in production	Feedback facility applied for new web sites.	Initial user feedback component is planned for development in 2021 as a common component under the ColdFusion transformation programme, after which it can be integrated in new or upgraded web sites
Phasing out of Cold-Fusion legacy systems.	Share of legacy systems migrated to alternative technology.	Programme charter approved by ITCB, all related projects planned with project charter finalised.	Partly achieved: Programme Charter approved by ITCB. 2 Project Charters approved ITCB 2020; 3/5 Phase 1 Projects on-going (TRIS-TBT, COSING and ERASMUS for YOUNG ENTREPRENEURS); 12 projects to start in 2021 under Phase 2.
Provision of an integrated system for managing and reporting on harmonised standards .	Synergies and efficiency gains, notably the level of integration of the different systems and the optimisation of data sharing and statistics.	Programme charter approved by ITCB, integrated architecture approved, all related projects planned with project charter finalised.	On track: Programme Charter completed; to be submitted to ITCB January 2021. Project Charters to be drawn up in 2021; Phase I projects launched.
Single digital gateway (SDG)	SDG services available to end users.	Initial version in production.	Done: SDG in production 12/12/2020
Image recognition for market surveillance of online trade based on ICSMS data.		Deliver data on non-compliant products and images provided by the market surveillance authorities in ICSMS.	Work on-going with the Danish Safety Technology Authority [DSTA] to provide data for a new digital search tool that employs AI to find non-compliant products in online trade.

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

Extension of Information Exchange & Communication System for market surveillance (ICSMS). Implementation of the New Regulation on Market Surveillance and Product Compliance 2019/1020	ICSMS extended and improved to support the new regulation on mutual recognition of goods (Regulation 2019/515). Adaptation of ICSMS to cover the legal obligations of the regulation.	New version in production with extended functionality by the legal deadline (19 April). Inter-DG agreement on roles, responsibilities and roadmap.	Delivered on time Signed GROW-TAXUD MoU with high level definitions of roles and responsibilities Regulation 2019/1020: analysis for non-customs provisions complete; implementation started. Analysis started on Customs-Provisions with Project Charter Q1 2021
Roadmap for full alignment with the corporate security risk management standards.	Share of systems with compliant security plans.	Rate of compliance is evaluated. Measures to fully align are put in place.	Done: It was planned to have the 75% compliance rate by the end of the year. A System Security Officer has been recruited to prepare the IT Security Plans. SSO and c-LISO are in the procedure to review Project Charter
		75% compliance rate	75% compliance rate: Done
	Awareness campaign to ensure System Owners are aware of their responsibilities according to the EC IT security guidelines.	Awareness campaign launched	Vademecum for Security is published on GROWnet and Security awareness sessions are being organised for Q1/2021.
Conversion of personal data legacy notifications into records.	No. of legacy notifications requiring conversion.	100% of legacy notifications fully converted.	100% completed
Increase awareness of DG GROW staff on personal data protection rules.	% of senior management attending awareness raising activities. % of middle management attending awareness raising activities. % of other staff attending awareness raising activities.	Senior management: 50%. Middle management: 50%. Other GROW staff: 40%.	100% of staff were reached by Internal Communication or DG notes Only 8% senior management attended info sessions due to the pandemic but 100% were reached by 2 formal notes (reminding obligations) and several awareness activities Only 10% middle management attended info sessions due to the pandemic but 100% were reached by 2 formal notes (reminding obligations), by several awareness activities and copied of contact points meetings reports. 83% of GROW Units attended training or info sessions
Update the models and information available on GROWNet.	No. of updated corporate developments.	80% of corporate developments updated in GROWNet.	90% of personal data corporate developments were updated on GROWNet pages
Map degree of implementation of data protection procedures.	No. of records due No. of privacy statements due.	% of records prepared % of privacy statements prepared	90% 95% - 53 privacy statements validated in 2020 out of 56 due

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

GROW IT systems complying with data protection rules.	No. of GROW IT systems.	% of IT systems complying with data protection rules.	Full compliance of IT systems to data protection rules. Development of automated processes for applying data retention on-going.
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Digital Strategy priorities

DG GROW has delivered on its Digital Strategy 2020 priorities.

Harnessing the power of data is a major avenue of the digital transformation of DG GROW. DG GROW provided a variety of services especially on data visualisation and data analytics to business units and played a role in the corporate digital innovation agenda by developing Proof of Concept projects (such as interactive dashboards) in priority areas related to the functioning of the Single Market (Single Market Scoreboard, postal statistics, eCertis statistics, retail restrictiveness indicator), as well as data for public procurement statistics. Data management guidelines for the policy units have been updated and extended in order to cover the whole life cycle of a data asset.

In 2020, the focus was on mapping the skills gaps and needs as regards the digital transformation (introduction of M365, self-service tool, etc.) by expanding the technical expertise inside unit R3 and supporting users.

The focus on end-users has been strengthened in the IT development lifecycle, by the introduction of more agile processes strengthening the involvement of the system users and focusing on their feedback throughout the development effort, based on tangible mock-ups, prototypes, and software deliverables.

In the context of the synergies and efficiencies, the software development lifecycle process review was launched by the Application Development team. The GROW ColdFusion Transformation Program Charter was approved by Information Technology and Cyber Security Board (ITCB) in September 2020 and was mentioned as an example of “*best practices of managing the transformation in a structured way, focusing on reusability, rationalisation and usability*”.

In the area of information security and privacy, 48 systems’ security plans have been prepared with the new methodology (ITSRM²). They either are under revision by DG DIGIT or ready to be approved by Business Owners. Project Charters are covering security and personal data aspects and the GROW DPC is now involved in the Project Charters revision workflow. Regular meetings are organised with the DPC. All GROW IT systems have been reviewed in the context of the personal data protection rules.

Finally, DG GROW has lead the way, in particular in the Internal Market family, where we established collaboration across the Internal Market family of DGs in the context of the membership to the ITCB and the Information Management Steering Board. A dedicated joint taskforce on security policy was also launched with CNECT and DEFIS, to coordinate the response to security risks and to respond to requests from the Cabinet.

Personal Data Protection

The main achievements of DG GROW in the area of Personal Data Protection include:

- Seven practical trainings and two information sessions organised for GROW units (1 in collaboration with EDPS);
- Two meetings of GROW Data Protection Contact Points;
- 23 records and 53 privacy statements were validated by GROW DPC; 18 DPO legacy notification or records were archived;
- Mapping of all international data transfers carried out by GROW units, related risk assessment conducted and reported to the DPO;
- Full compliance of GROW IT systems with data protection rules.
- Preparation with the GROW IT Unit of a 'Personal Data Protection Assessment Questionnaire' to evaluate the needs on IT systems in terms of personal data protection and security, to respect Privacy by design and by default principles.
- Update of the GROWNet Data Protection space, including information, practical guidance and models prepared by the GROW DPC (e.g. procedures for procurement, consultations, data subjects, EDPS consultation, model Unit inventory, five privacy statement models).

Document Management

2020 was a challenge for the document management team. Despite a reduced team, the following additional tasks had to be completed:

- The reorganisation and split of DG GROW and DG DEFIS resulted in many file transfers and the creation of new virtual entities.
- The Document Management Team was also responsible for the document management of the new Directorate General DEFIS according to the Memorandum of Understanding between DG GROW and DG DEFIS.
- During the summer 2020 holiday period, more than twice as many requests were received, mainly for consequential damage from the lockdown due to COVID-19.
- Towards the end of the year, the first preparations for the reorganisation of DG GROW in 2021 began, involving the transfer of more than 26,000 files. The difficulty was to determine future responsibilities, especially since hardly any unit was to remain as a whole.
- The Document Management team also rose awareness of colleagues to have a proper use of ARES: what documents need to be registered in ARES, what is a good filing plan. The team has recruited a new DMO that will join the unit in March 2021. It will be the occasion to relaunch series of trainings and awareness sessions during dedicated meetings with the correspondents of each Unit.

ANNEX 10: Implementation through national or international public-sector bodies and bodies governed by private law with a public sector mission (if applicable)

Not applicable

ANNEX 11: EAMR of the Union Delegations (if applicable)

Not applicable

ANNEX 12: Decentralised agencies

The agency under the responsibility of DG GROW is the European Chemicals Agency (**ECHA**)

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

Agency	Policy concerned	DG GROW payments to Agency in 2020 (in € million)	
		Subsidy*	Entrusted amount**
ECHA	Chemicals – implementation of REACH and CLP Regulations	60.3	2.5

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

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

European Chemicals Agency (ECHA)

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

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

In accordance with the REACH Regulation (No 1907/2006), ECHA is financed through fees paid by undertakings and by an EU balancing subsidy. A balancing subsidy of EUR 63.3 million was paid to ECHA in 2020. This amount includes EFTA contribution of EUR 1.4 million.

At the end of 2020, ECHA had 597 staff (TA, CA and SNE) for all its activities (519 staff for REACH/CLP) and an expenditure of EUR 95.6 in commitment appropriations and EUR 95.3 million in payment appropriations (for REACH and CLP).

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

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

Supervision mechanism

The DG GROW unit in charge of REACH had very frequent contacts on a day-to-day basis with ECHA which enables constant monitoring of its functioning. These contacts include numerous meetings and various other forums. In 2020 and due to pandemic, weekly virtual meetings were organised with the senior management of the agency and stakeholder units from the partner DGs (GROW, ENV and SANTE) to monitor the implementation of the work programme and exchange views on measures taken by both the Commission and the Agency to mitigate the impacts of the pandemic.

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

- The DG GROW Deputy Director-General is a member of ECHA's Management Board (MB) as one of the three Commission representatives. She is also member of two MB Subgroups and is represented in the meetings by persons of trust from DG GROW unit in charge of REACH and in line with the rules of procedure of ECHA Management Board:
 - MB Subgroup for Strategic Planning and Implementation
 - MB Subgroup for Finance, Audit and Risks
- Participation as observers to the bodies of the Agency:
 - Member State Committee (MSC)
 - Committee for Risk Assessment (RAC)
 - Committee for Socio-economic Analysis (SEAC)
 - Forum for Exchange of Information on Enforcement (FORUM)
 - HelpNet
- Participation as members to the following networks convened by the Agency:
 - Security Officers Network
 - REACH Communicators' Network
- The following reports were generated on the working of the Agency:
 - ECHA 2019 General Report, covering financial as well as operational activities.

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

Supervision activities performed in 2020

Besides the participation in the governance bodies listed above, DG GROW supervised the following ECHA's activities in 2020:

- *Budget of the Agency – procedure for the Draft Budget 2021*
 - evaluated the request for appropriations and staff coming from the Agency and

followed up on the budget procedure.

➤ *ECHA's draft Single Programming Document (SPD) 2021-2023*

- contributed to the preparation of the SPD 2020-2022. The Commission also issued an opinion⁷ on the SPD in September 2020.

➤ *Discharge 2018 and 2019*

- followed up the discharge for financial year 2018 and 2019;

➤ *Common Approach on decentralised agencies*

- participated in the network of desk officers for agencies coordinated by the Secretariat General and contributed to the follow-up of the Common Approach on decentralised agencies managed by the Secretariat General

➤ *HR*

- implemented the Roadmap of the Common Approach on EU decentralised agencies endorsed in July 2012 by the European Parliament, the Council and the Commission.
- Drafted and adopted decision in relation to the implementing rules of the Staff Regulation in decentralised agencies.
- Launched and closed the selection procedure for the Technically Qualified member of ECHA Board of Appeal to provide the appointing authority of ECHA (the Management Board) with the list of shortlisted candidates in accordance with Article 89(3) of REACH Regulation.
- Launched the selection procedure for the Legally Qualified Member and the Alternate/Additional members of ECHA Board of Appeal to provide the appointing authority of ECHA (the Management Board) with the list of shortlisted candidates in accordance with Article 89(3) of REACH Regulation. This procedure is still ongoing.

Internal Audit Service (IAS)

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

In 2020 the IAS conducted the following audits:

- Integrated regulatory strategy: screening, evaluation and regulatory management option analysis

In 2020, the Internal Audit Capability of ECHA carried out assurance audits on

- IAC assurance audit Applications for authorisation
- IAC consultative audit Harmonised Classification and labelling

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

⁷ C(2020) 6643 final

EUIPO

The impact of the COVID-19 pandemic has had a huge impact on SMEs. DG GROW and the EUIPO have joint forces to support SMEs in capitalising on their innovations and creativity leading them towards recovery.

On 10/12/2020 DG GROW signed a contribution agreement with the EUIPO setting up the IP Voucher for SMEs, to be carried out under COSME programme. The IP Voucher is a 20 million Euro grant scheme that offers EU-based SMEs financial support in form of reimbursements for IP scan services (IP pre-diagnostic) and trade mark and design application, up to a maximum amount of EUR 1 500 per business.

The IP Voucher scheme is the first key action of the European Commission's IP Action Plan and it is also the start of a strengthened partnership between the Commission, the EUIPO, and the intellectual property offices in the EU to help EU SMEs make the best of their intellectual assets.