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THE EASME IN BRIEF

Executive Agencies are established by the Commission in accordance with Council Regulation (EC) No 58/2003 with the purpose of delegating certain tasks relating to the management of Union programmes, including budget implementation. This enables the Commission to focus on its core activities and to dispose of sufficient technical expertise for the management of such programmes with the goal to achieve a more efficient implementation.

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

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

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

The Agency has its own legal identity and its tasks are specified in the Act of Delegation. This means that EASME implements the delegated programmes autonomously with the Director acting as Authorising Officer by Delegation (AOD). EASME, like the other Executive Agencies, implements the EU programme budgets under direct management (Article 58.1a and 62.2 of the general financial regulation). To this end, the Agency mainly awards grants through open calls for proposals while a small, but increasing, share of the programmes' budgets is also implemented through procurement contracts.

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3 As from 2014 the new calls for "Enterprise Europe Network", "Your Europe Business Portal", the "European IPR Helpdesk" and the "IPorta Project" are included under the umbrella of the COSME programme.
The Agency has its own administrative budget for which it receives from the EU an annual subsidy (in 2018: EUR 43.7 million). The administrative budget covers the running costs of the Agency, mainly staff expenditure, office related costs, IT and other services. The EASME’s Director is the authorising officer (AO) for this budget.

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

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

By the end of 2018, the Agency counted 505\(^5\) staff members managing almost 3200 projects with an operational budget of EUR 1.6 billion.

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\(^5\) 453 statutory staff. In addition: 15 trainees, 27 contractors and 10 interimaires
EASME: 2018 IN NUMBERS

EASME

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

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

- **Over 15 years of expertise and excellence**
- **From 2014 to 2020**
- **Managing parts of 4 programmes**
  - Horizon 2020
  - COSME
  - LIFE
  - EMFF
- **€ 11 bn of funding opportunities**
- **Over 3000 projects managed**
- **Over 500 committed people**

TOP PERFORMING AGENCY

In 2018, EASME managed 3,326 projects with a budget of €1.3 billion. We hold a major responsibility towards our stakeholders and therefore aim to be a client-centred organisation that provides high quality services to applicants, beneficiaries and intermediaries.

**Programme Implementation**

- 90% of grants were signed within the time to grant
- 99.4% of payments were made within legal deadlines

**Operational Budget**

- 100% Commitments
- 100% Payments

**Operating Budget**

- 100% Commitments
- 92% Payments (remaining 8% transferred to 2019)

Client Satisfaction & Interaction

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

- 85% Overall participant satisfaction rate of events organised by EASME
- 550K Total EASME website visits
- 127.93K Total followers on EASME-managed Twitter accounts
TOP EMPLOYER

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

Human Resources

- 58.7% Women
- 41.3% Men

- 40.5% of women in management positions
- 71% in staff engagement index
- 5.41% of staff turnover
- 4.38% growth in EASME headcount

Staff Participation

Colleagues are helping to drive change at EASME and create a place where they are proud to work. Around 20% of staff are active in bottom-up working groups, which have led to over 50 actions and outcomes in the past year in areas such as equal opportunities & diversity, sustainability, career development & mobility, training, agency culture, knowledge sharing, simplification, smart commuting and the Future of Europe.

Staff Leadership & Development

EASME ACADEMY

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

- 19.4% of staff (66 participants) in EASME participated in the Job Shadowing exercise done with DG GROW, REA, EACEA with 90.19% satisfaction rate.

CAREER GUIDANCE

The agency provides career guidance services to EASME staff. 187 career guidance sessions were completed over a period of 20 months.

- Change of career
- CV + motivation letter
- EPSO preparation
- Mock interview
- Personal development
- Job searching strategy

MANAGERIAL EXCELLENCE

Managers achieved the following:
- 70% participated in peer-to-peer learning events
- 78% attended management seminars
- 98% completed the voluntary 360° degree feedback exercise
- 100% adopted and signed a Management Charter with 7 goals

AWARDS IN 2018

EASME becomes a top Cycle Friendly Employer in Belgium.
EXECUTIVE SUMMARY

The Annual Activity Report is a management report of the Director of EASME to the College of Commissioners. It is the main instrument of management accountability within the Commission and constitutes the basis on which the College takes political responsibility for the decisions it takes, as well as for the coordinating, executive and management functions it exercises, as laid down in the Treaties6.

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

The Agency's 2018 Annual Work Programme (AWP) outlined the following three priorities:

- to ensure EASME is a top-performing Agency: EASME should deliver on all its financial performance indicators and should be a client-oriented organisation that provides high-quality services to applicants, beneficiaries and Commission services;
- to make EASME a top employer, i.e. reinforcing the Agency as a modern and attractive organisation;
- to prepare the Agency for its next mandate: the Agency should have a strong, coherent portfolio in 2021-2017, and the means to deliver on it.

Effective programmes

2018 was a special year for the Enterprise Europe Network (EEN), co-financed under COSME, given its 10th anniversary. The Enterprise Europe Network’s annual conference gathered 800 participants from 63 countries. The conference took place in Vienna from 23-25 October and incorporated intensive learning, sharing and networking. One common thread that ran throughout the conference was the theme of adaptability in a fast changing business environment.

The event also included an Enterprise Europe Network Award ceremony. To commemorate the milestone of 10 years, the Network gave a special award for the best example of the added value of the Network’s services for SMEs. The winner was tidal energy company Nova Innovation Ltd (United Kingdom)7. Nova Innovation embodied the success of the Network: it had benefitted from both partnership and innovation support to internationalise and grow. It had also been able to plug into the local business ecosystem and access additional regional funding thanks to the connections of the local Network partner.

The COSME’s two-year awareness raising campaign for the modernisation of EU industry-Watify- came to an end by bringing excellent results: over 240 awareness events throughout the EU, in particular in “lagging behind regions”; 40 cross-regional

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6 Article 17(1) of the Treaty on European Union.
7 Watch their story on Euronews (hyperlinked)
matchmaking events to explore common ground and set up joint projects in support of technological transformation; 100 business transformation success stories.

In the frame of the 2018 EU-China Tourism Year’s, EASME and DG GROW services organised an event with participation of President Jean Claude Juncker and Commissioner Elżbieta Bieńkowska. The programme promoted the EU as a top tourism destination and was closed in November in Xi’an, the first imperial capital of China and the Eastern end of the ancient Silk Road.

Further, the Agency supported the organisation of two large brokerage events outside Europe. One in Santiago de Chile with 250 companies from all over the world and the other in Kiev, with the participation of Commissioner Bienkowska and the First Vice Prime Minister of Ukraine Kubiv.

Under the **Horizon 2020 Innovation for SMEs**, the Agency launched cluster-facilitated actions for new industrial value chains that aim to address societal and industrial needs, made available EUR 2.1 million for funding SMEs and start-ups to innovate and develop smart mobility solutions.

2018 was the first year for the Agency to deliver on the Horizon 2020 European Innovation Council (EIC) Pilot scheme. While most top innovations emanate from SMEs, investment for early stage, high-risk companies is not easily available in Europe making it difficult for high potential SMEs to bring their brilliant ideas on the market and to scale up. The EIC wants to address this market failure and support SMEs in bringing their innovations to the market. Building on its experience with the SME-instrument, the Agency became quickly operational and can now report on the successful launch of the pilot scheme. Firstly, the fully bottom-up approach catered for more cross-sectoral innovations. Secondly, the introduction of the face-to-face interviews improved the robustness of the overall process and allows the Agency to vet the companies and identify those with the largest potential to scale up. Besides funding, the EIC pilot also offers business innovation coaching and services to accelerate the innovation process.

The Horizon 2020 calls for **Climate action, environment, resource efficiency and raw materials** addressed important issues such as decarbonisation, climate adaptation and services, knowledge gaps in climate science, circular economy, raw materials, water, nature-based solutions, earth observation and cultural heritage innovation. With the project portfolio reaching more than 200 on-going projects, the Agency’s staff engaged actively in the organisation of events and cluster meetings, contributed to specific policy initiatives of a number of DGs and helped prepare publications in order to ensure that projects have the best possible impact.

2018 was a particularly intense year in providing to the Commission policy feedback in
relation to the review of legislation related to the energy efficiency. EASME regularly prepared references, links to documents, success stories, key figures and lessons learnt from the H2020 energy efficiency projects managed by the Agency. This has helped the preparation for trilogues and future guidance documents.

The Agency contributed to the organisation of the **EU Sustainable Energy Week (EUSEW)**. The event was very successful, with 2,540 onsite participants, 64 sessions, 40 organisations hosting their stands at the Energy Fair and 420 Energy Days taking place across 28 countries. A number of events were organised either by EASME, or by projects supported by programmes managed by EASME. A conference session on Deep Energy Renovation was jointly organised by EASME’s H2020 Energy, H2020 Environment & Resources and LIFE Programme teams, demonstrating the synergies that can be created by one Agency managing several programmes.

The Agency also took a part in representing the European Commission at **ECOMONDO** - the leading Euro-Mediterranean area green and circular economy expo. It is an international event with an innovative format that brings together all sectors of the circular economy on a single platform, from material and energy recovery to sustainable development. At this event the Agency presented the role of the LIFE, COSME and Horizon 2020 programmes in the circular economy and its funding opportunities.

In the 26 years of its existence, the **LIFE programme** financed more than 4,500 projects to the benefit of EU nature, environment and climate. LIFE has been very successful in responding to policy developments, new environmental and climate challenges and the needs of its applicants. The number of applications for LIFE funding under the sub-programme for Environment more than doubled in 2018 thanks to the introduction of the two stage application procedure. This proves that LIFE is a flexible instrument that addresses the needs of the applicants and beneficiaries.

In 2018 the **European Maritime and Fisheries Fund (EMFF)** programme further strengthened its support to the Blue Economy and in particular towards start-ups and SMEs through an increased budget. The Agency launched 22 new projects gathering 104 organisations resulting from the Sustainable blue Economy call. They range from restoration of ecosystem to development of skills in the maritime sector. In 2018 the EMFF programme also started a shift towards facilitating investments and scaling up of businesses through the market study for the blue economy: e.g. the launch of the blue economy assistance mechanism. It also continued to support further SMEs through the launch of the Blue Economy call, which introduced the first steps of a blending mechanism to catalyse public and private investment.

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**Summary**

- **LIFE**
  - Since 2018: 60% budget increase for the LIFE Programme
  - 1 EUR of LIFE funding invested in Integrated Projects mainstreams 25 EUR in complementary funding
  - Number of applications for LIFE funding doubled thanks to the introduction of two stage application procedure

- **EMFF**
  - A wide portfolio of varied actions: EU scientific advice beyond EU waters, marine knowledge, tourism, maritime spatial planning, marine litter etc
  - The game-changer since 2016: boosting investments in the blue economy
  - Since 2018 the trend gets stronger: EMFF funding further oriented towards support to SMEs and investment

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Finally, the Agency continued to monitor 117 projects under the Intelligent Energy Europe (IEE) and Eco-Innovation programmes. Nearly all projects are finalised and the results of these projects are used as an ample source for policy feedback to create a more sustainable environment and economy in the European Union.

**An efficient Agency**

As regards the Agency’s key performance indicators, the Agency achieved most of the targets set in the 2018 work programme. EASME reached excellent results for budget implementation (100% of available budget committed), as well as for the payment times (99.4% of all payments within target): that brings the Agency to the top performing Commission services. The time to grant targets were reached for most of the programmes delegated to the Agency. The error rate for the legacy programmes continued to decrease. As concerned the new programmes, the error rate is below the materiality threshold (e.g. for the LIFE programme 0.36%) except for the COSME programme. For the latter mitigating measures have been put in place. Thus, it is expected that the error rate will decrease in the following years. Finally, for the fourth year in a row, the Agency did not have any critical or very important audit recommendations.

The Agency increased the visibility of its work through key events and regularly bring project beneficiaries to these events to demonstrate their added value to peoples’ lives. Last year, Commissioners Bieńkowska and Moedas personally praised the work and achievements of the Agency’s staff.

**EASME as a modern and attractive workplace**

In 2018, the focus of the Agency was on (1) increasing transparency and dialogue with staff, (2) involving staff in the decision-making, (3) fostering career development through training and mobility and (4) simplifying procedures.

The reorganisation of the Human Resources team and the creation of the “EASME Together” team have reinforced the Agency and facilitated the staff to define, share opinions and develop new ideas. More then 100 staff-led ideas and projects were launched through bottom-up initiatives, such as the new ‘communities of practice’ (in order to facilitate to establish synergies between programmes and foster effective policy feedback, an open exchange between staff across EU agencies and DGs in specific thematic domains) and the EASME Listens project.

Staff engagement is also a priority for internal communication activities. The Agency organised a stocktaking event to highlight achievements and discuss upcoming priorities. Initiatives such as a weekly newsletter (What’s up@EASME), the monthly digital magazine (The Brief), lunchtime sessions and workshops helped staff to know what’s going on across the Agency and its programmes. Lunchtime sessions and workshops on a range on communication aspects taught staff how to become good communicators themselves. To improve dialogue with staff, the HR sector organised regular meetings with the Staff Committee.

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8 Except for the EIC, where the 90% of the grants signed within very ambitious time to grant. The time to grant for the EIC phase I projects: 92 days, for the EIC Phase II projects: 183 days.

9 For example: energy intensive industries, circular economy or decarbonisation.

10 This campaign aims to mobilise EASME staff to get direct and high quality feedback from Agency’s beneficiaries and stakeholders.
To promote managerial excellence a management charter with the motto ‘support, trust and transparency’ was adopted at the beginning of the year. It lays out seven commitments of EASME managers towards staff. The adoption of a detailed action plan and implementation strategy followed, which received strong support from staff.

Building on the success of the pilot project in 2017, the Agency organised a second job shadowing project. This time the project was enlarged for participation of DG GROW, EACEA and REA colleagues. More than 100 EASME colleagues signed up to participate in the project. The Agency also provides Career Guidance Service to staff. Besides career guidance sessions, workshops and presentations were on offer. Under the umbrella of the Sounding Board, the “EASME Academy” Working Group worked on concrete ideas on how to turn the Agency into a learning organisation. The Agency organised various training courses aimed at developing skills of its people skills.

In addition, the Agency has undergone a number of simplification measures (e.g. simplified the workflows on administrative budget, removed overlapping controls for catering process) and in cooperation with the EASME greening group, introduced the paperless policy to reduce further paper signatories and documents.
Key Performance Indicators (KPIs)

In 2018, the Agency continued to ensure an efficient delivery of programmes. In performing the tasks delegated to it, the Agency aims to perform at its best. The following indicators measure the most critical aspects of the Agency's performance.

Indicator 1: time to grant

Target: 100% of grants signed within deadline, i.e:

- SME-I phase 1: 3 months (92 days)
- SME-I phase 2: 6 months (183 days)
- Other H2020: 8 months (245 days)
- Non-H2020: 9 months (274 days)
- FTI: 6 months (183 days)

Result:

The numbers in the table represent the average time to grant.

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The numbers in the table represent the average time to grant.

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Indicator 2: time to pay

Target (2018): 100% of payments within legal deadlines

Result:

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

Target (2018): 100% (commitments and payments) for operational and operating budget

Result:
**Indicator 4: residual error rate in financial transactions**

**Target** (2018): IEE II, Eco-inno, EEN, COSME, LIFE, EMFF: less than 2% of the total budget for grants per programme; H2020: as close as possible to 2% (within the range of 2-5%) (as per H2020 audit strategy)

**Result:**

<table>
<thead>
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<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CIP-IEE II</strong></td>
<td>3,8</td>
<td>[2,7 - 2,8]</td>
<td>[2.57-2.62]</td>
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<tr>
<td><strong>CIP-Eco-I</strong></td>
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<td>[2,5 - 7,5]</td>
<td>[2,07-6,00]</td>
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<td><strong>CIP-EEN</strong></td>
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<td>1,6</td>
<td>1,66</td>
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<td><strong>H2020</strong></td>
<td>N.a.</td>
<td>2,2</td>
<td>2,45</td>
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<tr>
<td><strong>COSME</strong></td>
<td>N.a.</td>
<td>N.a.</td>
<td>5,45</td>
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<tr>
<td><strong>LIFE</strong></td>
<td>N.a.</td>
<td>N.a.</td>
<td>0,36</td>
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<tr>
<td><strong>EMFF</strong></td>
<td>N.a.</td>
<td>N.a.</td>
<td>N.a.</td>
</tr>
</tbody>
</table>

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

**Target** (2018): None

**Result:**

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

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<td><strong>CIP-IEE II</strong></td>
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<td><strong>CIP-Eco-I</strong></td>
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<td><strong>CIP-EEN</strong></td>
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<td><strong>H2020</strong></td>
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<td><strong>COSME</strong></td>
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<td><strong>LIFE</strong></td>
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<td><strong>EMFF</strong></td>
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</table>

Table 1: KPIs

The average **time to grant** (TTG) for all programmes managed by the Agency was within target, with a small exception for the EIC pilot Phase 1. Namely, for these projects 98% of Grant Agreements (GA’s) were signed by the beneficiaries within the 90 days and the rest of the grants were signed within 106 days\(^\text{16}\). As concerns the EIC pilot’s Phase 2, 98% of GA’s were signed within the target time. In general, all programmes managed by the Agency, showed a positive trend compared to the previous year.

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\(^{12}\) The error rates for the IEE II and Eco I are given in a range to reflect the impact of companies’ bankruptcy cases.

\(^{13}\) The residual error rate for the Research family is 2.22%, expected to rise to around 2.45\% when taking into account the draft audit reports. The residual Error Rate derived from the Common Representative Sample for EASME participations only is at 2.36\%, expected to rise to around 3.05\% when taking into account the draft audit reports.

\(^{14}\) Includes COSME actions and EEN actions

\(^{15}\) Results of the audits of the EMFF were not available as of 31/12/2018 since this programme had not yet reached the corresponding level of maturity

\(^{16}\) The delay was due mainly to functioning IT tools (SYGMA/COMPASS).
Regarding the Time to Pay (TTP), as it was already the case in previous years, the number of transactions processed in 2018 has continued to increase (+9% compared to 2017). Despite this increase, the performance related to the payments made within legal deadlines even improved in 2018 (from 98% to 99.4%).

With regards to the budgetary execution, the operational budget was executed at 100% both in commitments and payments and the performance on the operating budget improved compared to the previous year\textsuperscript{17}. The initially adopted Operating Budget 2018 (EUR 43,762,703) was slightly reduced by the Steering Committee, resulting in a final budget of EUR 43,735,630. By the end of the year, 99% have been committed, out of which 92% have been paid. (For more information please see Chapter 2.1)

For CIP Enterprise Europe Network (EEN) programme (2007-2013), in 2018, the Agency finalised the last audits of this programme and implemented the related audit findings. Therefore, the final cumulative residual error rate on a multi-annual basis is at 1,66%, below the 2% materiality threshold. The first audits carried out under LIFE resulted in a residual error rate of 0,36%. However, at the end of 2018, the multiannual residual error rate for COSME was estimated at 5.45% at programme level. This error rate gives only a preliminary indication and must take into account some elements, e.g the nature of expenditures audited, the risk profile of the COSME actions beneficiaries and the fact that the audits covered only 1.12% of the total payments of COSME programme related to grants (COSME actions and EEN) on a cumulative basis from 1 January 2014 to December 2018. Further details could be found in Part 2.

As reported last year, the multi-annual residual error rates for the CIP Intelligent Energy Europe II (IEE II) and CIP Eco Innovation programmes is in a range\textsuperscript{18} of 2.57% to 2.62% and 2.07-6.00% respectively. Mitigating actions have already been established aiming to reduce the multi-annual error rate (for details please see part 2). With regards to the EMFF programme, the results of ex-post audits were not available as of 31/12/2018 since these programmes had not yet reached the corresponding level of maturity. Therefore, no error rates of these programmes were available.

As regards Horizon 2020, the residual error rate for the Research and Innovation Family is at 2.22%, expected to rise to around 2.45% when taking into account the draft audit reports. The residual Error Rate derived from the Common Representative Sample for EASME participations only is at 2.36%, expected to rise to around 3.05% when taking into account the draft audit reports. The two first Common Representative Sample are not yet complete, and so the error rate is not yet fully representative of the expenditure that it covered. The programme is in any case multi-annual, so the error rates, and especially the residual error rate, must be considered over time.

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

\textsuperscript{17} In 2017: 98% committed and 85% payed; in 2018: 99,8% committed and 91,2% paid

\textsuperscript{18} EASME decided to report two residual error rates, in order to disclose the impact of the bankruptcy cases identified in the value-targeted audits.
Key conclusions on Financial management and Internal control (executive summary of section 2.1)

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

The Commission has adopted a set of internal control principles, based on international good practice, aimed to ensure the achievement of policy and operational objectives. The financial regulation requires that the organisational structure and the internal control systems used for the implementation of the budget are set up in accordance with these principles. Since the beginning of the year, the Agency has continued to take concrete steps in further strengthening the foundations for effective embedding of the Internal Control Framework. The formal adoption signifies a key milestone and the very basis in the overall embedding process. The Agency has assessed the internal control systems during the reporting year and concluded that the internal control principles are implemented and function as intended. Please refer to AAR section 2.1.3 for further details.

In addition, EASME has systematically examined the available control results and indicators, including those aimed to supervise entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by internal auditors and the European Court of Auditors. These elements have been assessed to determine their impact on the management’s assurance as regards the achievement of control objectives. Further details can be found in Part 2.1.

For CIP Enterprise Europe Network (EEN) programme (2007-2013) the final cumulative residual error rate on a multi-annual basis is at 1.66%, below the 2% materiality threshold. The multi-annual residual error rate was below 2% for the LIFE programme (0.36%). However, the multi-annual residual error rate for the COSME, CIP Intelligent Energy Europe II (IEE II) and CIP Eco Innovation programmes was at 5.45%, 2.57% to 2.62% and 2.07-6.00% respectively.

Due to the relatively low number of payments on the COSME, CIP IEE II and CIP ECO Innovation projects performed by EASME in 2018, the impact of the increased error-rates on the amount at risk over the total payments performed by EASME is very limited. Mitigating actions have already been established aiming to reduce the multi-annual error rate for the COSME and legacy programmes (for details please see part 2).

For Horizon 2020, ex post audits are under the responsibility of the Common Audit Service (CAS) and not EASME. For Horizon 2020, the final control objective of the Research family is to try to achieve a multiannual residual error rate as close as possible to 2%.\textsuperscript{19} Considering that all of these grants follow the same homogeneous overall control system, a Common Audit Strategy for Horizon 2020\textsuperscript{20} covers all the implementing bodies, including EASME. The residual error rate for the Research family is 2.22%, expected to rise to around 2.45% when taking into account the draft audit reports. The

\textsuperscript{19} The financial statement accompanying the Commission’s proposal to the legislative authority for the Horizon 2020 regulations states: “The Commission considers therefore that, for research spending under Horizon 2020, a risk of error, on an annual basis, within a range between 2-5 % is a realistic objective taking into account the costs of controls, the simplification measures proposed to reduce the complexity of rules and the related inherent risk associated to the reimbursement of costs of the research project. The ultimate aim for the residual level of error at the closure of the programmes after the financial impact of all audits, correction and recovery measures will have been taken into account is to achieve a level as close as possible to 2 %.

\textsuperscript{20} Common Audit Strategy for Horizon 2020 was adopted on 22 February 2016.
residual Error Rate derived from the CRS for EASME participations only is at 2.36%, expected to rise to around 3.05% when taking into account the draft audit reports. These error rates must still be treated with care. The two first Common Representative Sample are not yet complete, and so the error rate is not yet fully representative of the expenditure that it covered. The programme is in any case multi-annual, so the error rates, and especially the residual error rate, must be considered over time. With regards to the EMFF programme, the results of ex-post audits were not available as of 31/12/2018 since these programmes had not yet reached the corresponding level of maturity. Therefore, no error rates of these programmes were available.

As mentioned above, the Agency did not have critical or very important audit recommendations overdue for more than six months.

In conclusion, EASME management has reasonable assurance that overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director, in his capacity as Authorising Officer for the administrative budget and Authorising Officer by Delegation for the operational budget, has signed the Declaration of Assurance albeit qualified by three reservations concerning the COSME, CIP IEE II and CIP Eco Innovation programmes (Budget line: 02.02 01 00, 32.04 53 00 and 02.04 53 00 respectively).
Provision of information to the Commissioner(s)

In the context of the regular meetings during the year between the Director and the parent DGs on management matters, also the main elements of this report and assurance declaration, including the reservations envisaged, have been brought to the attention of the Agency's Steering Committee and to the parent DGs' Directors General, who have taken these into consideration in their reporting to Commissioner Mr Günther Oettinger, responsible for Digital Economy and Society, Commissioner Mr Carlos Moedas, responsible for Research, Science and Innovation, Commissioner Ms Elżbieta Bieńkowska, responsible for Internal Market, Industry, Entrepreneurship and SME, Commissioner Mr Miguel Arias Cañete, responsible for Climate Action and Energy and Commissioner Mr Karmenu Vella, responsible for Environment, Maritime Affairs and Fisheries.
1. IMPLEMENTATION OF THE AGENCY'S ANNUAL WORK PROGRAMME - HIGHLIGHTS OF THE YEAR

The Agency's 2018 Annual Work programme (AWP) was adopted by the Agency's Steering Committee on 18 June 2018\(^1\). The work programme lists the main activities and outputs of the Agency that contribute to the achievement of the objectives as defined by the parent DGs. This part highlights the key achievements under the different programmes delegated to the Agency. Exhaustive reporting on the achievement of the targets as planned in the AWP can be found in annex 12.

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

The Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME)\(^2\) – is the Union’s programme to strengthen the competitiveness and sustainability of the Union’s enterprises to encourage an entrepreneurial culture and to promote the creation and growth of Small and Medium-sized Enterprises (SMEs). The 2018 COSME Work Programme was adopted on 6 November 2017\(^3\). The 2018 budget amounts to EUR 341 million (including the financial instruments). The COSME Work Programme was revised on 7 June 2018\(^4\).

The actions related to the achievement of the following objectives\(^5\) are delegated to Agency:

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

The results of the latest 2017-2018 programme report demonstrate that the Enterprise Europe Network managed to deliver very good results. For example: 5,718 partnership agreements and 3,991 Advisory services outcomes have been concluded\(^6\). This has a significant impact on turn-over, growth, access to market and innovation capacity of the SMEs.

In 2018 the Enterprise Europe Network’s Chilean branch hosted by Eurochile worked in close cooperation with the "Business Beyond Borders" (BBB) project to bring a large brokerage event at FIDAE, the International Air and Space Fair exhibition in Santiago de Chile, to a successful conclusion. Over 250 companies from all over the world took part, engaging in hundreds of meetings in total. This event was a good example of exploiting cross-cutting synergies of different COSME activities.

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\(^1\) Ares(2018)3201966 - 18/06/2018
\(^3\) Commission Implementing Decision C(2017) 7923 of 6/11/2017 on the adoption of the work programme for 2017 and the financing for the implementation of the Programme for the Competitiveness of Enterprises and small and medium-sized enterprises.
\(^4\) C(2018) 6983 final
\(^5\) The implementation of the objective: improving access to finance for SMEs in the form of equity and debt is not delegated to the Agency
\(^6\) The report shows an increase of more than 4% in partnership agreements and 20% of increase in Advisory services outcomes compared to 2015-2016.
The SOLVIT legal training for the free movement of goods took place in Brussels in December. 21 participants from SOLVIT Centres across Europe gathered in the Institute of European Studies (IES). The 2 days interactive training covered a wide range of scenarios of obstacles that companies (in particular SMEs) encounter with public authorities in the Member States when operating across borders. The impact of SOLVIT’s reinforced legal expertise will strengthen the help provided to companies. The companies will then be able to make the best use of the internal market's opportunities.

The Enterprise Europe Network Annual Conference 2018 was organised on 23-25 October 2018 in Vienna. The event was organised by EASME and DG GROW, jointly with the Austrian Federal Economic Chamber and Austrian Research Promotion Agency.

Discussions took place across 28 parallel sessions covering five themes:
- Innovation management;
- Internationalisation;
- Plugging into regional ecosystem;
- Aiming at excellence: internal Network tools and process;
- The Enterprise Europe Network at the centre of EU delivery.

The event also included an award ceremony. To commemorate the milestone of 10 years, the Network gave a special award for the best example of impact for an SME who has benefited from the Network’s services. The winner of the Enterprise Europe Network Award 2018 was tidal energy company Nova Innovation Ltd (United Kingdom). Simon Forrest (CEO) and Jane Watters (Network adviser) collected the Award during the Closing Ceremony on October 24.

EASME Director Julien Guerrier noted that Nova Innovation embodied the success of the Network: it had benefitted from both partnership and innovation support to internationalise and grow. It had also been able to plug into the local business ecosystem and access additional regional funding thanks to the connections of the local Network partner.

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

In the framework of the 2018 EU-China Tourism Year, EASME and DG GROW organised the launch event of this major initiative for growth and cultural diplomacy. This high-level event with participation of President Jean Claude Juncker and Commissioner Elżbieta

27 Check out their story on Euronews (hyperlinked)
Bieńkowska took place in Venice – the most well-known end point of the Silk Road in the West. More than 100 journalists registered for the press conference.

DG GROW’s Director General Lowri Evans stressed the excellent results achieved so far. This action helped businesses to get familiar with the Chinese market and to meet Chinese counterparts. This was achieved thanks to eight matchmaking events organised during major international fairs. More than 900 EU tourism operators and almost 700 Chinese ones benefitted from this initiative and 16,000 bilateral meetings took place since January. These have already led to established partnerships.

The feedback received was very positive. Operators found this initiative important for their businesses. Some reported they started new collaborations and expect business growth in the future thanks to the matchmakings. This would have not been possible without EASME’s support and tailored assistance.

The European Commission invited European stakeholders and policymakers to join forces at the European Parliament to discuss how to promote and support women entrepreneurship through the European e-platform for women entrepreneurship WEgate. MEP Angelika Mlinar hosted the seminar that gathered participants from all over Europe, representatives of support organisations, European Institutions and entrepreneurs. Their objective is to shape the WEgate e-platform that will further support women entrepreneurs and foster collaboration between different stakeholders.

In the frame of the COSME WORTH partnership project more than 150 talented creative professionals and SMEs from all across Europe gathered to make true their idea and proof of concept. During the two-day event 41 shortlisted partnerships pitched their innovative projects in presence of peers SMEs and a steering board. At the end of the session the jury selected 27 transnational partnership projects involving 62 companies and starts-ups representing 20 EU COSME countries, in fashion and textile, footwear, accessorises, furniture, jewellery and leather sectors.

In the context of the High Level Industrial Dialogue between the EU and Ukraine, EASME organised an Intra-European matchmaking event in Kiev in March. Commissioner Bieńkowska and the First Vice Prime Minister of Ukraine Kubiv participated in a Policy learning seminar, gathering nine policy makers from different COSME countries. 50 clusters participated also in matchmaking meetings. Site visits gave a great opportunity to observe how different industries operate in the country.

EASME organised also the COSME international high level conference "Social economy: for an economically sustainable and socially inclusive EU" in Sofia in April. This event aimed at improving a better understanding of the role of social economy. It addressed some of the major challenges that Europe faces in creating sustainable jobs, improving social justice and reduce inequalities. 150 participants attended the event, including
National ministers, Heads of delegations, NGOs, interest and business organisations, social partners and members of the civil society.

- **promoting entrepreneurship and entrepreneurial culture**

In March and October, the 21st and 22nd Erasmus for Young Entrepreneurs (EYE) Network Meetings were organised. Around 190 EYE grant beneficiaries from 38 COSME countries participated at each event. They exchanged experiences and ideas between the Intermediary Organisations (IOs) in the network. Networking activities facilitating collaboration between IOs and creating possible matches of new and experienced entrepreneurs was one of the main topics as well. A number of actions to support IOs everyday work on the programme as well as improvements to the programme were discussed between the participants, EASME and DG GROW. Participants also benefitted from a presentation on data protection, the Enterprise Europe Network and IPR helpdesks. Ahead of the March meeting, the Working Group “Alumni” and “Improving the EYE IT tool” took place. In 2018 around 2500 entrepreneurs have benefited from an exchange (i.e. 1250 matches).

During 2018, EASME launched and implemented the last actions under the 2017 Work Programme. From the calls planned in the 2018 Work Programme, all but eight were implemented on time (please see annex 12).

The Agency was also very active in promoting the COSME programme. For more information please see part 2 on Communication.

### 1.2 Framework Programme for Research and Innovation (Horizon 2020)

‘Horizon 2020’

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

#### 1.2.1 Innovation in SMEs

Succeeding similar activities within the Competitiveness and Innovation Framework Programme (CIP), the Agency is entrusted with the part of Horizon 2020 that is related to the specific objective "Innovation in SMEs" of "Part II Industrial Leadership": stimulating sustainable economic growth by increasing the levels of innovation in SMEs, covering the multiplicity of needs throughout the innovation cycle for all types for innovation, thereby creating more fast-growing, internationally active SMEs.

In 2018, the Agency published all eight calls for proposals under Horizon 2020 "Innovation in SMEs" as planned in the 2018 Work programme.

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In addition, one ad-hoc call was launched and three calls for tender were published, again in line with the Work Programme.

Furthermore, a consultation of Enterprise Europe Network partners was carried out to update their work plan for the implementation of Key Account Management services to beneficiaries of the EIC/ SME Instrument and of innovation management support services for innovative SMEs. In 2018 alone, the Network initiated over 1,200 Key Account Management cases for the EIC/SME Instrument beneficiaries. These services are instrumental in ensuring that the coaching services of the SME Instrument are implemented in a targeted way, addressing the SME’s predominant coaching needs. Furthermore, they help companies connect with market access, internationalisation and access to finance services that contribute to the growth and sustainability of projects and companies funded through the EIC/ SME Instrument.

Out of the INNOSUP calls, the largest volume of funding is distributed through INNOSUP-01 – Cluster-facilitated actions for new industrial value chains. This action aims at using clusters to connect companies for innovative value chains across different regions of the EU. For example, "IMPACT Connected Car", one of the projects funded under an earlier cut-off of this call, aims to address societal and industrial needs in the context of the connected car. In 2018, this project made available EUR 2.1 million of funding for SMEs and start-ups to innovate and develop smart mobility solutions. The selected start-ups entered a three-stage "smartisation" programme and received up to €60,000 in equity free funding. Top performing start-ups had also the opportunity to obtain additional private funds of up to €200,000 from participating venture capital funds. IMPACT Connected Car's first call for applicants closed in January, with 218 applications received from start-ups and SMEs from 41 countries (the consortium received the highest numbers of applications from Spain, Poland, Italy and France). Electric vehicle chargers, cyber security measures against hackers, intelligent driving and zero emission transportation are among the most popular topics. 25 applications have been funded further to this first call.

Companies financed under European SME Innovation Associate (INNOSUP-02) call have, for example, developed a methodology to determine the gender of fertilised battery chicken eggs several days before hatching. Male eggs thus identified can then be sorted out and further processed to support pest control in poultry farming. The aim is to reduce or eliminate the current (and common) practice of shredding live, one-day old male chicks, which have no commercial use in many poultry farms.

The Social Challenges Innovation Platform (INNOSUP-04) is a pilot project with a budget of EUR 3.5 million over two years and a half, aiming at matching social challenges with the best innovative solutions from the entrepreneurial world. The idea is to help local authorities, NGOs or companies to tackle social and environmental challenges which they are facing – by providing solutions from social businesses and innovators who thus turn social challenges into business opportunities. Challenges cover a wide range of topics: refugees, migration, environment, food, unemployment, aging, smart cities and mobility, gender, social inclusion, disability, etc. The project issued three calls for SME participation in 2018, publishing 83 challenges from 48 cities & regions. They received 498 proposed solutions, out of which 81 were shortlisted to receive a EUR 30,000 grant and a 6 months mentoring scheme. For example, a city was looking for solutions to improve accessibility for citizens with reduced mobility. As a result of this call, a mobile app was developed and adapted to the city, indicating an obstacle-free itinerary and highlighting all public places accessible to disabled people.
Innovation in SMEs: the KATANA project

The KATANA project (financed under the same call) announced the winners of its second Open Call. It awarded 10 consortia from the agrifood- and tech-industries grants of 100,000 EUR each (20,000-50,000 EUR per SME/entrepreneur) to cover specific activities such as testing and marketing activities. The selection was based on their success in a prior Reward Crowdfunding Campaign. In addition to the grant, consortia will receive secondary support services such as investment readiness training, E-pitches in front of investors, export promotion training, etc. The list of winners is available on KATANA's website. One of them received nationwide coverage in the Spanish "La Vanguardia" newspaper.

1.2.2 Societal challenge 'Secure, clean and efficient energy'

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

Since 2014 Horizon 2020 energy efficiency projects triggered EUR 2 billion in sustainable energy investments and saved the equivalent of the annual electricity consumption of 600,000 European homes.

The Agency’s role entails the responsibility for implementing the 2018-2020 H2020 Energy Efficiency Calls. In 2018, the Agency monitored 205 on-going H2020 energy efficiency grants; among those, 17 have closed in 2018. The Agency also monitors four tenders and has organised 31 project reviews in 2018.

**H2020 Energy Efficiency Call 2018**

The call opened on 25 January and closed on 13 September with a total budget of EUR 90 million: 184 proposals covering 14 topics were eligible. The evaluation led to 47 proposals being invited to start immediate grant preparation. All topics were covered.
management by EASME and dedication of actors involved.” Moreover, a survey held with the evaluators (response rate of 94.6%) showed an overall satisfaction rate of 93.4%.

In 2018 the Agency also prepared the grant agreements for 33 projects from the 2017 call (2nd deadline). All grant agreements were signed by May, within the 8 month time-to-grant period. Also, 3 additional proposals from the reserve lists of the 2017 calls (1 of the 1st and 2 of the 2nd deadline) were signed before the end of year.

In addition, the ad-hoc grant for the Concerted Action on the Energy Performance of Buildings Directive (EPBD), which followed a different call deadline, was signed in May.

Also, the call to identified beneficiaries on market surveillance was launched and evaluated and the grant preparation process started. At the same time the preparation has started for the first deadline of the Call 2019 (5 February, City Facility).

In order to receive proposals of high quality, the Agency actively promoted its main Call, explaining the different topics to potential beneficiaries. In 2018, three webinars29 were organised to promote specific Call topics, and topics were also presented at several relevant conferences. At the same time a specific info session on two distinct Calls for Proposals, on the European City Facility and on the European Islands facility, was organised on 5 July.

Contracts exchange meetings

In 2018 the Agency continued to foster synergies and exchanges between on-going projects. Meetings of contractors are an effective method to enable this knowledge exchange between H2020 projects of the same topic or of similar topics. In 2018 EASME organised six contractors’ meetings in total30.

H2020 Energy Efficiency Tenders

The Agency managed a total of four tenders under H2020 contracts:

- Support for BUILD UP Skills EU exchange activities and analysis on construction skills;
- Operation, maintenance, improvement and promotion of the BUILD UP interactive web portal;

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29 On 27 February, a webinar on Home Renovation and a new related funding topic under H2020 call was held in the frame of the Sustainable Energy Investment Forums initiative; On 23 April a webinar on energy poverty was jointly organised together with the Covenant of Majors Office. EASME presented the topics of the call on Mitigating household energy poverty, on integrated home renovation services, and Project Development Assistance; On 27 April, a webinar on financing the renovation of public buildings was organised, in the frame of the Sustainable Energy Investment Forums initiative presenting also call topics.

30 (i) A contractors’ meeting on Smart Buildings was held on 28 June in Aix-Les-Bains, France. The event was integrated in the conference "Sustainable Places 2018". 25 participants attended the session, where the results or activities of more than 15 projects were discussed; (ii) a contractors meeting on Building Information Modelling (BIM) skills and qualifications development was held on 26 June where representatives from 20 projects participated and DG ENER and DG GROW presented the recent policy developments; (iii) a contractors meeting on Energy Poverty was held on 8 June gathering representatives from DG ENER and DG JUST together with participants of 10 projects and representatives of the Energy Poverty Observatory and the Covenant of Mayors; (iv) a contractors meeting on Socio-economic Research was held on 24 May, focusing on the newer generation of consumer behaviour projects; (v) a contractors meeting on ICT Projects was held on 27 February with participation of 17 projects that are harnessing ICT’s potential to save energy and to trigger more energy efficient behaviour in buildings; (vi) a contractors meeting for Energy Efficiency Finance was held on 22 February with 50 participants.
- ManagEnergy Initiative (Support initiative to assist actors working on sustainable energy at the local and regional level);
- Sustainable Energy Financing Initiative (SEI Forums).

### Sustainable Energy Financing Initiative (SEI Forums)

The SEI Forums initiative supports directly the EU's Smart Finance for Smart Buildings initiative and aims at initiating a dialogue between stakeholders at regional and national level, in order to improve finance for energy efficiency from public and private funds, with a focus on buildings, industry and SME’s. SEI Forums public events and national roundtables are organised in cooperation with national governments, and in most cases two or three governmental entities. Roundtables involve intensive exchanges with the national counterparts in order to identify the topics to be discussed and the participants to be invited, as well as to secure high-level participation from government. DG ENER is associated in the preparation of all these events. Until today, the SEI Forum events and roundtables have brought together more than 1,500 stakeholders in 20 events across the different capitals. In response, there is high demand from stakeholders and national administrations for follow-up roundtables, which will allow to go deeper in the dialogue. The SEI Forum also enables DG ENER to enter more directly into dialogue with national administrations on the revised Building and Energy Efficiency Directives. Five public conferences and seven roundtables were organised in 2018 in different European capitals and major cities, each of them gathering around 100-160 participants. Also eight SEI webinars were organised.

ManagEnergy is an initiative for helping regional and local energy agencies to become leaders in the energy transition and to increase sustainable energy investments in regions and cities. In 2018, the Agency delivered three master classes for local and regional energy agencies.

In addition to managing tenders itself, EASME also supported DG ENER in the evaluation of their own tenders. The Agency provided support to six procurement procedures.

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31 Financing energy efficiency in Romania, Hungary and Bulgaria (1 Feb 2018, Bucharest); Financing energy efficiency in Greece and Cyprus (31 May 2018, Athens); Financing energy efficiency in Bulgaria and other countries from Central and South-Eastern Europe (28 June 2018, Sofia); Financing energy efficiency in Malta and Italy (22 November 2018, St-Julians); Financing energy efficiency in Germany, France and Austria (5 December, Frankfurt).

32 National Roundtable in Spain (25 April 2018, Madrid); National Roundtable in Latvia (26 April 2018, Riga); National Roundtable in Poland (15 May 2018, Warsaw); National Roundtable in Italy (24 May 2018, Rome); National Roundtable in Romania (11 October 2018, Bucharest); National Roundtable in Ireland (11 October 2018, Dublin); National Roundtable in Greece (28 October 2018, Athens).


34 DG ENER tender 'Support for the dissemination and roll-out of the set of energy performance of building standards developed under EC Mandate M/480', January 2018; DG ENER tender 'on Fighting Energy Poverty in the Ionian Adriatic Macro-Region', February 2018; DG ENER tender 'Benchmarking for Mobilising Investments in Energy Efficiency', June 2018; DG ENER tender 'Feasibility study on the possible introduction of the inspection of stand-alone ventilation systems and on optional building renovation passport under EPBD', August 2018; DG ENER tender "second technical study on the smart readiness indicator", August 2018; DG ENER tender "on the implementation of article 7 of the EED", September 2018.
Concerted Actions under H2020

The aim of a Concerted Action (CA) is to support Members States with the implementation of Directives. Three Concerted Actions were funded by H2020 with the objective to support the implementation of the Energy Performance of Buildings Directive (EPBD), the Energy Efficiency Directive (EED) and the Renewable Energy Sources Directive (RESD) by means of knowledge and good practice exchange between Member States. Moreover, EASME’s projects provide evidence-based input and contribute to an informed discussion. The meetings of the Concerted Actions in 2018 were of a particular relevance for the revision of the aforementioned directives.

In 2018 DG Energy and EASME also explored approaches for supporting the acceleration of sustainable energy investments at national level in the Security and Defence Sector. The main approach was to enhance synergies, exchange and collaboration between the Consultation Forum for Sustainable Energy in the Security and Defence Sector and the Concerted Actions supporting implementation and transposition of the EU energy acquis. These four initiatives are managed by the Agency.

Policy feedback and promotion

Policy feedback is a corner stone of the project cycle. 2018 was a particularly intensive year for policy feedback to DG ENER and other Commission Services in relation to the review of the Energy Efficiency Directive, Energy Performance of Buildings Directive (EPBD), and Renewable Energy Sources Directive (RESD). EASME regularly prepared references, links to documents, success stories, key figures and lessons learnt from the H2020 energy efficiency projects managed by the Agency. This has helped the preparation for trilogues and future guidance documents. The Agency also presented project results at the EPBD Programme Committee. The main activities are presented in annex 12.

Dissemination and exploitation of results

The Agency supported consortia to disseminate the results of their projects. In 2018, the Common Exploitation Booster (CEB) and/or the Support Service for the Exploitation of Research Results (SSERR) targeted in total 17 H2020 energy efficiency projects. These services are being used by the projects to assist them to reach the market, stakeholders and potential users.

Making EU’s building stock energy efficient

In 2018 the agency released a report on high energy performing buildings showcasing H2020 projects that help the buildings sector to contribute towards EU’s energy and climate policy targets. Since 2014, the agency has supported 24 projects under the Energy Efficiency Calls for proposals working to promote the uptake of deep renovations, cost-effective Nearly Zero-Energy Buildings (NZEBs), and smart building technologies. The results developed by these projects address key challenges at each stage of the value chain for new nearly zero-energy buildings, deep renovation of existing buildings, and energy-smart buildings.

With the aim to further disseminate projects results, the Agency produced two reports (so-called H2020 Results Pack) on respectively construction skills and deep renovation. It also released a report on ‘High Energy Performing Buildings.

Following a successful pilot of the Innovation Radar scheme, EASME continued to implement the scheme during project reviews of Research and Innovation Actions (RIA) and Innovation Actions (IA) type projects in order to identify high potential innovations and the key innovators behind energy projects. The Innovation Radar methodology has been used in reviews of seven projects.
EASME has worked in close cooperation with DG RTD since March 2018 on identifying projects that could join the World Alliance for Efficient Solutions and applied for the Efficient Solutions Label. So far, six projects managed by EASME completed the full application process and were awarded the Efficient Solutions label.

Énergies POSIT’IF has been chosen out of 14 projects proposed to DG ENER / DG COMM by EASME to support their quest of presenting good projects for the InvestEU campaign.

In terms of promoting projects at investor events, the project BERTIM was selected to exhibit at the EU Industry Days in Brussels in February 2018.

### EU added value of H2020 ‘Secure, clean and efficient energy’ projects:

**Boosting integrated home renovation services across Europe**

EuroPACE project adopts best practices from a US on-tax financing model and intends to further enhance its reach, scope and overall impact well beyond the American experience.

Developed in 2008 in California, the Property Assessed Clean Energy (PACE) model is an innovative mechanism to pay for energy efficiency upgrades to homes and buildings, which is already used at scale in the USA, and which funded retrofit projects of more than EUR 4 billion. EuroPACE brings this innovation to Europe.

EuroPACE is set to deploy private capital as up-front financing to homeowners and have the costs repaid over time as a special charge added to the existing property tax bill. By doing this, EuroPACE is looking to de-risk energy efficiency investment. The project will also design standard requirements and project performance guidelines and train energy service contractors to better assist homeowners with their decisions on how to optimise the energy use of their houses.

A pilot will be deployed in the city of Olot in Catalunya, Spain. Actions will be engaged in parallel to ensure that EuroPACE becomes a growing market in Spain. The project team has assessed the readiness of national tax systems for on-tax financing in several EU countries and now aims for the adoption by leader cities in Austria, Belgium, Italy, Poland and Romania.

### New energy labelling tool helps you save money on heating

**LabelPack A+ project developed a free energy labelling tool to support the most efficient choices in heating systems. It calculates and produces the energy label for customised packages of space, water and combination heaters.**

The energy labelling tool can help consumers choose the most efficient heating “packages”, saving on their heating bills while being more environmentally friendly. It also supports installers to meet their legal obligations linked to energy labelling. The "package label" is the first energy label to rate the whole system. The highest classes can only be achieved by optimally combining different technologies. More guidance on the "package" label and other energy labels for water and space heating can be found in this short video and in the training material.

In addition to these benefits, energy labelling has spurred innovation in the field. Energy efficient space and water heaters, which are subject to EU energy labelling and ecodesign requirements, could save 600 TWh of electricity per year.
1.2.3 Societal challenge 'Climate action, environment, resource efficiency and raw materials'

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

Call evaluations

In 2018, the Agency coordinated the implementation of the following Horizon 2020 calls:

- Greening the economy in line with the Sustainable Development Goals (SDGs) (H2020-SC5-2018-1) (budget: EUR 29.7 million)
- Greening the economy in line with the Sustainable Development Goals (SDGs) (H2020-SC5-2018-2) (budget: EUR 190 million)

Due to the additional delegation of two more topics (SC5-18-2018 and SC5-19-2019), the budget implemented by the Agency increased with EUR 7.7 million compared to what was announced in the Agency's 2018 Annual Work Programme. On top of that, an additional 'identified beneficiary action' to UN Habitat with a budget of EUR 1 million was delegated to EASME. All new delegations were recorded in the revised Horizon 2020 Work programme 2018 – 2020 'Climate action, environment, resource efficiency and raw materials' as adopted on 24 July. The total budget of the Societal Challenge 5 calls to be implemented by the Agency in 2018 according to this work programme was EUR 343.9 million, while after evaluations the amount increased to EUR 355.2 million (EUR 354 million for the calls and EUR 1.2 million for the 'other actions').

The three calls together encompassed 28 different topics. In response to the calls, EASME received in total 390 first-stage proposals and 196 full proposals in response to the three calls, out of which respectively 365 and 189 proposals were evaluated.

The evaluation of H2020-SC5-2018-1 took place in March and April. The evaluations for one of the topics, 'SC5-12-2018: EU-India water co-operation', concerned a joint coordinated EU-India call; the evaluation was organised by EASME and involved 50% external Indian experts and two observers from the Indian Ministry of Science and Technology. The evaluations of the H2020-SC5-2018-1 call resulted in 11 proposals that were retained for funding.

H2020-SC5-2018-2 and H2020-LC-CLA-2018-2 were two-stage calls: applicants were to submit a 10-page proposal first and, following an evaluation of these first stage proposals, the highest-scoring applicants submitted a full proposal by the second deadline of 4 September. The evaluations of full proposals took place in September and October and resulted in respectively 29 and 18 proposals that retained for funding.

In addition, EASME launched and evaluated two 'identified beneficiary actions' with a total of EUR 1.1 million. It concerned contracts to UN Habitat and the Romanian National Institute for Research and Development of Marine Geology and Geoeecology for the

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35 For the grant agreement preparation and grant management.
organisation of respectively the ‘multi-stakeholder design platforms and public-private-people partnerships for sustainable cities’ and the ‘Presidency event (conference): Sustainable development at the Black Sea’. One identified beneficiary action that was foreseen to be launched in quarter 4 of 2018 (concerning a Presidency event in Finland) was postponed to 2019.

Graph 2: Overview of success rate\(^\text{36}\) of Calls for Societal challenge ‘Climate action, environment, resource efficiency and raw materials’ in 2018.

**Grant agreement preparations**

The Agency signed in total 39 grant agreements in 2018, all within the deadline of 245 days. 26 of these grants concerned proposals that were selected based on evaluations that took place in the preceding year:

- three reserve list proposals of the call H2020-SC5-2017-OneStageB;
- three grant for an ‘identified beneficiary action’.

The remaining 13 grants result from evaluations described above under the subtitle ‘Call evaluations’. The applicants of the 11 successful proposals of call H2020-SC5-2018 were invited in June for grant agreement preparations that concluded towards the end of the year with all grants signed in 2018. Also, the grants for two ‘identified beneficiary actions’ were prepared and signed.

The applicants of successful proposals submitted in response to calls H2020-SC5-2018-2 and H2020-LC-CLA-2018-2, were invited to start grant agreement preparations in December 2018.

**Grant management**

In 2018, EASME was monitoring 211 on-going H2020 projects\(^\text{37}\) funded under Societal challenge 5 ‘Climate action, environment, resource efficiency and raw materials’. The overall EU contribution to these projects amounts to EUR 1,29 billion.

Among the on-going projects, 41 had their end-date in 2018. Throughout the year, the Agency received 74 interim reports and 23 final reports. The number of final reports

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\(^{36}\) The success rate, defined as the number of proposals retained for funding divided by the number of proposals submitted, per call is presented in the graph below.

\(^{37}\) "On-going projects" is defined as all Horizon 2020 grants signed by the concerning unit, reduced by the number of projects that have the status "closed" on 31-12-2018.
received is lower than what was expected because several projects asked for extension and were allowed to amend their contract accordingly. The Agency completed 51 reviews\textsuperscript{38} with external experts. A total of 16 final payments were made.

Overall, the implementation of projects advanced as expected. Success factors are the risk-based project monitoring plans for each project, the pro-active and accessible attitude of the project advisers and the frequent communication between project advisers and the coordinators of the projects they monitor. This allows responding swiftly to problems signalled by the consortium with appropriate guidance and solutions.

**Policy feedback and promotion**

The Agency held regular meetings with the relevant units in DG RTD and GROW, other agencies and the EIT, in order to identify potential synergies among EU-funded projects and to discuss how the impact of projects working in the same or in closely related fields can be maximised.

The Agency provided specific input to the policy initiatives of DG RTD, DG GROW, DG CLIMA, DG ENV, DG DEVCO and DG CNCT (see list in annex 12).

EASME was main organiser of the stakeholder events that aimed to explore synergies between H2020 projects, exchange good practices among beneficiaries, increase impact of projects and/or provide input to EU policy making. Please see the main events in part 2, in chapter “communication”.

### EU added value of Horizon 2020 ‘Climate action, environment, resource efficiency and raw materials’ projects:

- **CD-links (contribution to IPCC special report, EC policy)** The CDLINKS consortium has significantly contributed to the IPCC Special Report on Global Warming of 1.5°C (SR1.5) by collecting and assessing a set of model based low-carbon development scenarios. This scenario database is available in open access through the IAMC 1.5°C Scenario Explorer and hosted by IIASA. CDLINKS has presented this scenario explorer during a side-event at COP24.

- **MIREU**, which aims to establish a network of mining and metallurgy regions across Europe with a view to ensuring the sustained and sustainable supply of mineral raw materials to the EU. The network will help the regions to share knowledge and experiences when facing the challenge of establishing and maintaining an extractive industry. One of the aims of MIREU is developing the EU Social Licence to Operate (SLO) Guidelines and Toolbox, by engaging a wide range of stakeholders to discuss the aspects of SLO and benchmarking the EU SLO guidelines and toolbox to international level.

- **ROSEWOOD** is designed to develop regional networks that will connect actors of the wood mobilization value-chain, from forest owners to relevant regional authorities but also forestry industry, to cover and find answers to the main challenges in the field, especially the sustainability of the wood mobilization. Through the sharing of technological and non-technical innovations, best practice cases and RDI results, this multi-actor approach will close knowledge gaps and create new opportunities for economic partnerships between stakeholders and (inter)regional authorities.

- **CABRISS** has focused on the development of a circular economy approach for the

\textsuperscript{38} Based on the number of PROMON workflows concluded in 2018.
The project implemented innovative solutions for the recovery of key raw materials (silicon, silver and indium) found in end of life photovoltaic (PV) cells and the reuse of such materials in the fabrication of new PV cells and in other applications (e.g. electronics). The main outcomes included technologies developed beyond the state of the art on dismantling, extraction, recovery, recycling and reuse of materials from PV products. These represent a major step towards strengthening and sustaining a ‘circular economy’ symbiotic approach in the European PV industry.

- CIRCULAR IMPACTS aimed to provide European policy makers with the knowledge to guide and foster the transition to a more circular economy by developing an overarching impact assessment of that transition. The project started by defining the circular economy, identifying the most important application areas, understanding the policy needs of the area and developing a methodology for assessing the macroeconomic and societal impacts. It then focused on assembling the available evidence for impact assessments and make this evidence base available for policy makers and the project itself with a web based search tool. Moreover, the project collected missing information in four case studies in order to understand the processes of the circular economy and the processes it might replace in more detail. Finally, the project helped establishing better insight into the interplay of the European Semester and elaborated on the position of the European Semester within the integrated solutions for pre-processing of electronic equipment, closing the loop of post-consumer high-grade plastics, whilst recovering critical raw materials including antimony (Sb) and graphite. The project focuses on secondary raw materials and aims at advanced recovery of valuable plastic streams (polymer types PC/ABS and ABS) and on resource-efficient and innovative recovery of additives, critical minerals and metals from Waste Electrical and Electronic Equipment. The CloseWEEE approach covers the full value chain from secondary raw material acquisition from WEEE to manufacture of new products.
1.2.4 European Innovation Council Pilot-scheme

In 2018 the European Commission launched a new initiative to strengthen breakthrough innovation and boost high-growth companies coming out of Horizon 2020. The European Innovation Council (EIC) pilot brings together and revamps three active schemes: Fast-Track to innovation, Future and Emerging Technologies (FET) Open, and the SME-instrument. In 2018, the Agency managed under the umbrella of the EIC-pilot, a redesigned SME-instrument and Fast Track to Innovation scheme.

The EIC: SME-instrument

The EIC SME-instrument is a dedicated tool that supports high-risk, high-potential small and medium-sized enterprises to develop and bring to market new products, services and business models that could drive economic growth. While most top innovations emanate from SMEs, investment for early-stage, high-risk companies is not easily available in Europe making it difficult for high potential SMEs to bring their brilliant ideas on the market and to scale up. The EIC SME Instrument wants to address this market failure and support SMEs in bringing their innovations to the market.

Call management

In 2018, 14,443 proposals were submitted; 8,492 Phase-1 proposals and 5,951 Phase-2 proposals, which are similar numbers to the proposals received in previous years. More than 99% of these proposals were considered as eligible and proceeded to evaluation. 1,188 proposals were selected. The success rate was ≈11% for Phase I and ≈4% for Phase II applications.

With the introduction of the EIC and as an integral part of it, the SME-instrument is now fully bottom-up (i.e. removal of pre-defined topics) and the evaluation process for Phase 2 proposals includes face-to-face interviews in Brussels for the highest-scoring proposals.

With the transition to fully bottom-up under the EIC pilot, the applicants have to select among a structured set of keywords the ones that best describe the thematic area of their proposal. Those keywords are being used to match the proposals with the evaluators who are declaring their expertise using the same keyword set. The graphs below present the distribution of proposals by keywords – first, second and third choice (15 top-level keywords).

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**The main changes under the EIC pilot are as follow:**

- Fully bottom-up approach: no more predefined topics;
- Quality threshold for Phase 2 proposals raised to 13;
- Revised weighting of the award criteria - 50% for Impact, 25% for Excellence and 25% Quality of implementation;
- Introduction of jury interviews for Phase 2 projects;
- Coaching and business acceleration services are extended to the SMEs from FET and FTI;
- Innovation radar is implemented in all EIC programmes.
The applicants massively used the opportunity to indicate the cross-sectoral nature of their proposals. 84% of them indicated three keywords to describe their proposals and 65% used at least 2 different main keywords. By opening up the selection, the EIC Pilot catered for more cross-sectoral innovations. This is important, because this is where innovation happens today – at the intersection of different disciplines. In many cases, cross-sectoral innovations are enablers for further innovations and further growth. Now, instead of funding a specific ICT technology the Agency funds ICT technologies that drive innovation in other fields. Examples of this are cloud software applied to industry, blockchain technology applied to fintech and security or artificial intelligence applied to the health sector.

The introduction of the bottom-up approach had an influence on the sectors of companies entering the programme. Compared with the share of companies selected between 2014 and 2017 (SME Instrument with topics), we see a much greater proportion of health companies being selected. This is linked to the fact that before 2018 health topics were limited to diagnostics and biomarkers. The share of energy and transportation related companies has dropped.
The jury interviews

The introduction of the face-to-face interviews in the evaluation process is the major improvement brought by the EIC Pilot.

For the first three Phase 2 cut-off dates in 2018, 522 interviews were organised with around 1300 company representatives. The interview juries were selected from a pool of 100 high-level experts from 29 countries (member states and associated countries of H2020). They consist of around 25% Business Angels, 32% Venture Capitalists, 34% Innovation and Industry Specialists with other experts coming from larger corporates, innovation hubs and accelerators, etc. The majority of the jury experts are women.

The face-to-face interviews complement effectively the paper-based assessment in order to take full account of the personal qualities and motivations of the applicant innovators. It also enables the evaluators to clarify aspects of the proposals related to the innovation, the market or the team. In conclusion, it improves the robustness of the overall process by adding value to the remote evaluation.

Project management

In the period of January - December 1,160 SME-instrument grants were signed: 911 for Phase 1 and 270 for Phase 2.

The overall process until the grant agreement is signed and the first financial support is given takes three months for Phase 1 and six months for Phase 2. The process of timely granting is demanding. However, in Phase 2 between 89%-98% of Grant Agreements (GA) are signed within target.

For Phase 1, in the first call 90% of grants were signed within 103 days, which is 11 days more than the official deadline of 92 days. The delay was due mainly to IT-related problems. For the second cut-off 90% of grants were signed within 96 days and for the third cut-off within 98 days. It should be noted that 98% of Phase 1 GAs are signed by the beneficiaries within the 90 days. EASME waits until the companies’ coaching needs analysis is completed by the KAMs from the EEN (following a meeting with the beneficiary) in order to get further feedback on the quality of the companies and their projects and to provide them with the full support the SMEI Phase1 package can deliver. This causes delays in the TTG process.

76% of the EIC/ SME Instrument companies address B2B users
20% of SMEs are at the upscaling stage, already conquering new markets

39 Watch the video (hyperlinked)
There are always several Grant Agreements that need more time to be finalised⁴⁰, for instance, this is the case for the security projects, which have a specific and longer security scrutiny procedure. Certain projects, especially under the health topic, need full ethics screening, which extends the whole process. Moreover, in some cases the SME validation can take a considerable amount of time.

In 2018 around 1,791 projects (1049 Phase 1 and 742 Phase 2) were ongoing and monitored by the Agency which is an increase of 20% compared with 2017. During the same period 1,794 projects had their interim or final reporting periods which is also an increase of 20%. 944 projects were finalised (15% increase compared with 2017), what represent 25% of all Horizon 2020 projects finalised in 2018.

In February and April a Phase 2 Coordinators Welcome Day was organised to kick-off more than 100 Phase 2 projects. Coaches were also invited to this event to clarify expectations in relation to coaching (please see below under coaching). 85% of participants were satisfied with these events.

The geographical distribution of Phase 2 beneficiaries slightly changed from the period before introduction of the EIC Pilot and after. The share of the 3 top countries during the 2014-2017 period: ES, IT and UK went down from 42% to 28% resulting in more even distribution of SMEI beneficiaries among the countries.


The graph below shows the number of EIC-beneficiaries in relation to the number of SMEs in the country. In this perspective, smaller economies like Switzerland, Denmark, Finland rank as highest, followed by Norway, Estonia and Austria.

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

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**Public procurement**

The Design Driven Innovation contract aimed at building capabilities within EU SMEs to manage and introduce design driven innovations. DG GROW was responsible for the content development of those contracts, the Agency was ensuring procedural follow-up. Training materials for companies were developed and the contractor delivered 100% of all training programme. From April 2016 to July 2018 a total of 54 courses in 30 countries (EU Member States and Associated Countries to H2020) were delivered, including 20 full courses and 34 short courses. In total 305 SME representatives and business intermediaries were trained.

**Business Innovation Coaching**

The Business Innovation Coaching\(^{41}\) empowers the SMEs towards the successful commercialisation of their project. The coaching considers all aspects of the company while implementing the innovation project. A coach encourages the company to reflect on its options, brings models to develop strategies, challenges self-assumptions, reflects on foreign markets and gives access to the coach’s business network.

Following the creation of the EIC Pilot, the Agency extended coaching services to SMEs coming from the FET Open and the FTI. As a result, the pool of active coaches was increased to 710 persons.

In 2018 the preparation of coaches’ contracts and payments was a priority: 1,260 coaching contracts were signed and 1,093 payments were made. This represents a cumulated increase of 2.4% compared to 2017.

Increasingly the coaches are playing new roles during the EIC Pilot’s SME-instrument Phase 2 and FTI Welcome Days and with the Business Acceleration Services. During

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

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\(^{41}\) Watch the [video](#) about coaching.
the EIC Pilot’s SME-instrument Phase 2 Welcome Days in Brussels the Agency concurrently organise Coaching Induction trainings for new coaches. That renders the opportunity to let those coaches moderate World Café sessions with the new Phase 2 beneficiaries about diverse business development topics. The Agency invites a specific group of financial coaches with investor profiles to contribute to the preparation of our beneficiaries for matchmaking pitching events with investors and big corporate companies.

Key Account Managers (KAMs) from the Enterprise Europe Network (EEN) play a key role in the implementation of the coaching service, carrying out the need analysis with the SMEs, identifying the coaching challenges and searching for matching coaches. To bring KAMs in a "comfort zone" while meeting the company, the Agency delivered a newcomers training for the newly appointed KAMs. During the participative KAM Networking Days in Brussels in October, the Agency let 90 KAMs exchange experience to learn from each other. Those events are further used for information provision about new services like the KAM role with the Business Acceleration Services, the new signposting role in the EIC Community and the implementation of the Innovation Radar. The Innovation Radar questionnaire was adapted to the SME Instrument’s needs and successfully tested with several KAMs that will be responsible for filling it in. It will be deployed for the whole portfolio of EIC SMEI Projects in the beginning of 2019.

**EIC Business Acceleration Services**

The objective of these activities is to accelerate the growth of funded companies by facilitating their access to private investment, finding new business partners, distributors, suppliers and clients and engaging in peer-led learning opportunities. Many formats were tested during 2018 which led to adjustments in the offer of services based on two main principles: maximize the impact for the EIC beneficiaries and focus on services where intervention on the EU level is adding value. The services were extended to all SMEs participating in EIC programmes including Fast Track to Innovation (FTI) and FET OPEN.

Business Acceleration Services (BAS) are implemented through two contracts: SME-instrument business community and academy and Access to New Geographical Markets – Overseas Trade Fair Participation Programme.

EIC Corporate Days are a flagship initiative of the Business Acceleration Services. These are matchmaking events organised in the premises of big companies or their innovation hubs. More information about the EIC Corporate Days are presented in the part 2.2.4 (Communication Activities).

In 2018 the BAS reached its full potential. 44 events for SMEs from the EIC programmes took place in different formats: 16 academy sessions, 14 corporate days, 8 overseas trade fairs, 3 trade fairs in Europe, 2 investor related events, 1 EIC summit. In total, 2,036 applications were received for all events, resulting in 816 attendances at events.

**Overseas Trade Fairs (OTF)**

In 2018 EASME facilitated the participation of the EIC funded SMEs in eight of the most significant trade fairs in the world: CES Las Vegas in US, Arab Health in Dubai, CIIF in Shanghai, FIDAE Santiago de Chile, Asia Water Expo Kuala Lumpur, African Utility Week in Cape Town, Electronica in Bangalore and Metalex in Bangkok. The services
included the exhibition space under the EU flag, facilitating trade and business cooperation/partnerships between funded SMEs and companies/ investors/ public procurers in targeted markets and improving by exclusive training the SMEs’ knowledge about those markets.

Since the beginning of the OTF programme, 234 EIC SMEs applied and 118 were selected based on business criteria. The participating SMEs reported more than 2,400 significant business meetings and over 95% were highly satisfied with the programme. Their main motivations to participate in the events were: Identify new business partners; clients and distributors; gain insights into foreign markets; and attract new investors. The survey reveals that on average, SMEs had 20 meaningful contacts per trade fair. A more detailed impact survey is planned 6 months after each trade fair.

Despite a relatively lower number of applications from EIC beneficiaries side (except trade fairs in the US and Asia) all SME participants showed a high satisfaction and valued the opportunities offered. It turned out that the main reason why companies are not yet ready to go overseas, is because they give preference to establish themselves on the European market.

**Academy**

The academy activities included 16 face-to-face academy workshops covering issues such as branding, attracting investors, partnering with corporates, and developing adequate market segmentation and distribution strategies. The latter sessions offered practical help and support to companies looking for hands-on training on how to scale-up. The workshops were open to all EIC pilot-funded SMEs. They were interactive, tailored for each group of participants (6-15 SMEs) per session, and designed to invite in-depth sharing of personal experiences, active participation with own business cases. SME representatives had the opportunity to interact with peer companies as well as getting advice and hands-on training from leading industry professionals. The most popular Academy sessions were preparations for pitching events in the context of Business Acceleration Services investor or corporate days.

**Investors Activities**

In 2018, several activities were organised to facilitate networking between EIC-pilot funded companies and investors.

19 pitching activities in front of investors were organised for EIC-pilot funded companies:

- one exclusive pitching session co-organised with InnovateUK on Fintech in London.
- three investor pitching sessions in trade fairs and conferences exclusively organised for EIC-pilot funded companies: Transport Research Arena, Mobile World Congress and Hannover Messe
- 10 pitching sessions in front of investors during the EIC Summit in Berlin
- three ePitching sessions organised in partnership with the European Business Angel Network - EBAN (one ePitch) and with TechTour (two ePitches).
- two partnerships with pan European Pitching Contests to involve EIC-pilot funded companies: 23 SMEI companies selected for the European Venture

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42 Watch the [video](#).
Contest and 50 companies selected for Startup Days in Lausanne.

In total, 196 pitching slots were attributed to EIC-pilot funded companies.

In parallel, the exclusive online matching ScaleUp EU has been launched in September, as part of the EIC Community. In four months, 38 investors and 175 EIC-pilot funded companies joined this matching tool.

The experience with pitching events at the Trade Fairs and stand-alone (EIC dedicated) pitching events shows that the latter were ensuring higher level of dedication from both SMEs and investor side and leveraged more meaningful discussions.

Policy feedback and dissemination of results

In May the Agency finalised its third impact report "Innovation kitchen" summarising the four years of implementation of the EIC Pilot SME Instrument. The analysis showed that the EIC SME Instrument is an extremely popular and targeted scheme, it attracted 47,000 applications in 4 years. 3,200 SMEs were funded in total, 20 % of which are pre-revenue companies what shows the high-risk approach of the programme. The EIC pilot’s SME-instrument is a highly competitive programme, with a success rate (8% for Phase 1 and 5% for Phase 2) comparable to the selection rates of private investment funds and acceleration programmes offering "smart money".

After the SME Instrument funding companies raise higher investment rounds (€6M) than before (€4M) SME instrument companies grew between 7 and 12 percentage points more than a control group.

The latest analysis shows that EIC SME Instrument companies attracted so far more than EUR 3 billion of post-grant private investments. This amount is probably higher as only part of private investments are public. So far 14 SME Instrument funded companies went public on the stock exchange (IPO – Initial Public Offering). 29 were acquired by corporate players, 73% of which are based in Europe.

Interim and final reports from Phase 2 companies revealed that SMEs grow on average by 118% in terms of turnover and 158% in terms of employment.

EU added value of H2020 EIC SME instrument projects

Raised EUR 27 million for human eye quality virtual reality resolution

Varjo Technologies is a Finnish company that is working on a Virtual Reality headset with a resolution close to human sight. The devices on the market today offer a resolution much lower than that, which is a limitation for professional use. Varjo Technologies is developing a headset with a resolution that equals human sight and can be applied to Virtual Reality (VR), Augmented Reality (AR) and Mixed Reality (MR) for industrial use. The company has already many industrial partners and it has raised EUR 27 million of private investment from Atomico* a few months after receiving our funding. In addition, in the 2018 State of European Tech Report, Varjo is among the
selection of notorious Deep Tech Companies that have raised investment rounds this year there is one EIC SME Instrument funded company.

**Raised EUR 40 million using artificial intelligence for personalised care**

Ada Health offers new levels of personalised care and treatment with a mobile application that combines artificial intelligence (AI) and doctors’ insights. Ada Health received an SME Instrument grant in 2015 and announced in October 2017 its first institutional funding round worth EUR 40 million led by Access Industries, Len Blavatnik’s global investment group. June Fund, the global technology investor whose backers include Google’s Chief Business Officer Philipp Schindler, joined the round, as well as Berlin-based Cumberland VC and William Tunstall-Pedoe, the AI entrepreneur behind Amazon Alexa. The SME Instrument enabled Ada to add on key operational and R&D resources, contributing to Ada’s overall company expansion to 100 employees across Berlin, Munich and London.

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*Getting approved for the SME Instrument has been very positive for our development because, at the time, we had been working on our technology for quite a while, and getting this type of validation from the EU was a real plus for us. It has both reassured our shareholders and been positive in our conversations with prospective investors’ D. Nathrath, CEO*

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**Floats on the stock market with its allergy test that uses an alternative to animal testing**

SenzaGen is developing the first in vitro test that can detect air-borne chemicals that cause respiratory allergies, by using a unique gene technology. Their product GARDair™ is also the first cell-based alternative to animal testing for the respiratory tract. In 2016 SenzaGen received an SME Instrument grant to develop the test and subsequently signed a deal with a global pharmaceutical company for GARDair™ to commercialise it. In September 2017 the company became one of the eight companies funded by the SME Instrument to float on Nasdaq First North.

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**The EIC: Fast Track to Innovation**

**Call management**

The Fast Track to Innovation (H2020-EIC-FTI) programme calls were re-launched in 2018 as part of the EIC Pilot, after one-year break from the FTI pilot.

After an enhanced outreach campaign, the three cut-offs brought an important increase in the number of proposals from 138 in the first cut-off to almost double that number in the last cut-off of the year. The number of funded proposals was between 14-15 projects at each cut-off.

Fast Track to Innovation is a bottom up instrument, with no predefined topics. For the
ease of evaluation, the keywords predefined by applicants are used. Engineering and technology, health and ICT are the three (3) most popular keywords, Energy follows just after. 80% of proposals included between 4 and 5 partners.

<table>
<thead>
<tr>
<th>Keywords</th>
<th>Number of proposals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering and technology</td>
<td>172</td>
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<tr>
<td>Health</td>
<td>121</td>
</tr>
<tr>
<td>ICT</td>
<td>67</td>
</tr>
<tr>
<td>Energy</td>
<td>66</td>
</tr>
<tr>
<td>Construction and transport networks</td>
<td>36</td>
</tr>
<tr>
<td>Agriculture / Rural Development</td>
<td>34</td>
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<tr>
<td>Food and beverages</td>
<td>27</td>
</tr>
<tr>
<td>Earth and related environmental sciences</td>
<td>20</td>
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<tr>
<td>Biotechnology</td>
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<td>Security</td>
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<td>Consumer products and services</td>
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<td>Space</td>
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<td>Finance</td>
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<td>Cultural and creative economy</td>
<td>5</td>
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<tr>
<td>Public sector innovation</td>
<td>2</td>
</tr>
</tbody>
</table>

Grand Total  617

Table 2: 2018 FTI Proposals by Evaluation Panel

**Project management**

94 projects from the FTI Pilot (call 2015-2016) are ongoing. Many amendments are necessary to implement the projects, as consortia can change, companies evolve and tasks require updates during projects’ implementation. Many projects also request extension of duration in order to achieve their objectives. Five projects from the initial FTI pilot phase are finalised/completed.

44 projects from the “new” EIC-pilot/Fast Track to Innovation programme” were selected from the three cut-offs of the year 2018. The 29 projects of the first two cut-offs have all been signed in 2018.

The FTI projects were featured at many different events, including: EU Industry Days, EU Sustainable Week, London’s International Security Expo and Security Research Event where projects from the EIC Pilot’s FTI and SMEI in the security sector were exhibiting in a dedicated EU pavilion held by EASME.

EASME booth at the Security Research Event, December 2018 Brussels
EU added value of H2020 Fast Track to Innovation projects

**FTI project ‘Cocoon’** promotes tree establishment in dryland environments. Acting as a tree incubator the Cocoon nourishes tree seedlings, resulting in high survival rates and increased resilience to adverse growing conditions, while maintaining water efficiency.

**FTI project ‘REACH’** (Resource Efficient Automatic Conversion of High-Altitude Wind), is another FTI success-story in this case demonstration how an FTI project can leverage and attract private investment into the project, which will contribute further to the project’s innovation enhancement.

### 1.3 Programme for the Environment and Climate Action (LIFE)

The LIFE Programme⁴³ is the EU’s funding instrument to support the protection of the environment and climate action. For 2018, EUR 522.8 million were allocated to the Programme with around EUR 332.3 million operational expenditure under the environment strand and EUR 84.6 million for the CLIMA strand (including procurement) delegated to EASME.

The Agency was responsible for all calls for proposals for action grants under the Environment sub-programme and the Climate Action sub-programme, except the calls for preparatory projects. The Agency also managed the call for operating grants to framework partner NGOs in the framework of the partnership agreements awarded in 2018. In 2018, the Commission also delegated to the Agency the management of the Integrated Projects under the Sub-Programme Environment as well as the projects financed by LIFE to support the European Solidarity Corps initiative.

To pursue simplification the Agency has decided to implement a two stages approach for the calls for proposals for traditional projects in the framework of the Environment Sub-programme.

**Public Procurement**

- **New Evaluation Tender (Stantec):** EASME signed a Framework contract 028 with Stantec for 24 months and with a budget of € 16 million. EASME also concluded three Specific contracts to cover the evaluation of the concept notes submitted for the LIFE 2018 ENV sub-programme, full proposals of CLIMA sub-programme and IP and NGO/SGAs.
- **LIFE Monitoring tender (Neemo):** EASME ensured monitoring of the specific contract covering the monitoring and communication activities falling under its remits. This was done in collaboration with DG ENV. EASME launched a call for tender to select the external contractor that will do the monitoring of the projects from 1 January 2019. The Agency signed the new Framework contract with Neemo on 29 November and a specific contract as well.

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Call management

Call 2017

LIFE action grants for the sub-programme CLIMA 2017: EASME evaluated 125 proposals and selected 40 proposals for funding. The Agency signed 37 Grant Agreements.

LIFE action grants for the sub-programme ENVIRONMENT 2017: EASME received 505 proposals and selected 126 for funding (including 14 proposals in the reserve list). EASME signed 117 Grant Agreements: 55 for environment; 46 for nature and 16 for environmental governance & information.

LIFE NGO Operating Grants: EASME concluded Specific Grant Agreements (SGA) with the 34 NGOs that were awarded with a Framework Partnership Agreement (FPA) in the framework of the open call for proposals LIFE-NGO-FPA-EASME-2017.

LIFE Integrated Projects Call 2017 – submission of full proposals: EASME received 22 proposals. (ENVIRONMENT: 16 full proposals submitted and CLIMA: six full proposals received). EASME signed 12 Grant Agreements in December.

LIFE Technical Assistance projects: EASME received six full proposals (four for CLIMA sub-programme and two for ENV sub-programme) EASME signed five Grant Agreements.

Call 2018

Two stage approach

LIFE action grants for the sub-programme ENVIRONMENT: EASME received 1,076 concept notes and invited 282 of them to submit the full proposal by the 30 January 2019 the latest. The Agency informed all the applicants about the outcome of the evaluation in due time and received 11 complaints. EASME replied to all of them after the Redress Committee Decision to reject complains.

Single stage

LIFE action grant for the sub-programme CLIMA: The Agency received 124 proposals. The panel meetings took place in December and the Evaluation Committee will take place in January 2019.

Policy feedback and dissemination of results

A dedicated NGO seminar took place on 13 November in Brussels. The objectives of this meeting were to help the Commission (Nature Unit at DG ENV and DG CLIMA) identifying the existing obstacles to policy implementation, particularly with the help of their member organisations, and propose measures to address them. The event focused on two key issues: implementation of the Action Plan for nature, people and the economy, and on the implementation of the Paris Agreement.

The seminar provided an opportunity for NGOs to identify and share best practices and to reflect about challenges and lessons learnt, with a focus on providing policy feedback to EC policy makers.

LIFE platform meetings aim to promote the exchange of knowledge and good practices, and to facilitate networking and synergies among LIFE projects active in the same broad
policy area. Such meetings also engage other relevant stakeholders from the European institutions, national and local authorities, civil society and the private sector.

Some examples:

- **LIFE Platform meeting on Climate Change Adaptation in Agriculture and Forestry in the Mediterranean Region**: the purpose of this specific meeting was to bring together LIFE project beneficiaries, competent authorities and other stakeholders from across Europe to discuss specific actions to advance climate change adaptation in Agriculture and Forestry in the Mediterranean Region.

- **LIFE Food Waste Platform meeting**: brought together more than 120 participants from eleven countries in addition to representatives of 22 projects from different programmes (Interreg, Horizon 2020 and LIFE). EASME highlighted the latest related achievements and focused on the contribution of the LIFE Programme to the prevention and reduction of food waste.

- **LIFE Platform meeting on Energy Intensive Industries**: was the first LIFE event gathering representatives of LIFE projects, Horizon 2020 projects, policy makers, NGOs and other stakeholders working in the field of climate mitigation and industries. The event helped to steer a dynamic dialogue among all parties about the main barriers and opportunities related to transition to decarbonisation for industries.

Numerous other promotion activities have taken place, mainly through social media and the LIFE website. The LIFE website has been revamped with a completely new layout, following the harmonisation of Commission websites.

EASME continued to provide regular policy feedback to DG ENV and DG CLIMA both at head of unit/sector level and at project advisor level. This exchange of experience and good practices is important to influence the policy development direction.

### EU added value of LIFE programme’s projects

The **LIFE-PLA4COFFE** project will demonstrate a new improved production process for coffee capsules based on PLA as a substitute for PE, PET and aluminium. The LIFE-PLA4COFFE compostable capsules will be marketed in Europe and USA, and the material will be applicable for many other plastic products.

Specific objectives are to:

- Scale-up the use of the new PLA material and the new coffee-capsule production process to demonstration scale;
- Demonstrate how the prototype can be used for all plastic products;
- Reduce the volume of waste (plastics, aluminium) sent to landfill; and
- Demonstrate the use of the new PLA formulation capsules for composting, thus reducing fertiliser use.

The **CLEAN SEA LIFE** project supports the application of the Marine Strategy Framework Directive (MSFD) and EU biodiversity policy relating to marine litter. The objectives of the project are the reduction of marine litter and the increase of awareness of marine litter by organising trainings for the coast guards and the teachers and by organising litter clean-ups on 160 beaches and 128 seafloors in Italy.
1.4 European Maritime and Fisheries Fund (EMFF)

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

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

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

The 2018 EMFF work Programme was adopted on 8 December 2017\(^4\). The total EMFF budget delegated to the Agency amounts to EUR 40 million, 36 for 2018.

The biggest part of the delegated budget (87%) covers integrated maritime policy actions, while a more limited part goes to scientific advice for fisheries (13%).

Graph 7: Evolution of the EMFF work Programme Budget

In 2018, the EMFF budget delegated to EASME increased by 19.6% (from EUR 34.59 million to EUR 40.32 million), since 2014. In terms of numbers, most of the delegated actions were procurement actions (call for tender or specific contracts under Framework Contracts). The biggest part of the delegated budget was absorbed by the call for proposal “Blue Economy call” with EUR 18.7 million and it is the largest Integrated Maritime Policy (IMP) call ever launched by EASME.

This budget increase is however translated in a steady number of delegated actions.

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\(^4\) Commission implementing decision C(2017)8146 of 8/12/2017 on the adoption of work programme for 2018 and the financing for the implementation of the European Maritime and Fisheries Fund
(between 20 and 30 every year) with a total of 128 delegated actions since 2014, resulting in over 200 individual grants and contracts and an increased number of projects funded under IMP.

<table>
<thead>
<tr>
<th>Type of action</th>
<th>WP 2014</th>
<th>WP 2015</th>
<th>WP 2016</th>
<th>WP 2017</th>
<th>WP 2018</th>
<th>Total No of actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calls for tender</td>
<td>9</td>
<td>9</td>
<td>13</td>
<td>10</td>
<td>7</td>
<td>48</td>
</tr>
<tr>
<td>Specific contracts under FWC</td>
<td>8</td>
<td>8</td>
<td>5</td>
<td>10</td>
<td>18</td>
<td>49</td>
</tr>
<tr>
<td>Calls for proposals</td>
<td>2</td>
<td>4</td>
<td>6</td>
<td>3</td>
<td>2</td>
<td>17</td>
</tr>
<tr>
<td>Ad-hoc grants</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>2</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>Union financial contribution</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>20</strong></td>
<td><strong>24</strong></td>
<td><strong>29</strong></td>
<td><strong>25</strong></td>
<td><strong>30</strong></td>
<td><strong>128</strong></td>
</tr>
</tbody>
</table>

Table 3: Overview of the delegated actions by type.

A major trend that continued in 2018 was the steep increase of the budget for open calls for proposals in the field of blue growth. As a result, the share of grants managed by the Agency in EMFF was constantly increasing.

The integration of EMFF in the IT-tool **eGrants** started in April and was operational in October. This tool should facilitate the management of high volume of proposals and grant agreements and **simplify the administrative process for applicants** in the future. In addition, the management of experts and experts selection will also be facilitated as the Agency started using the EMI database.

- In 2018, EASME supported **projects that created new development opportunities for the blue economy** at various stages of development.
  - First, it encouraged research and university laboratories to team up with SMEs via the publication of the new "Blue Labs" call for proposals and continued its support to 5 similar projects in their final phase (Amalia, Archeosub, Spilless, LitterDrone, Lab4dive).
  - Secondly, it supported innovative maritime projects to bring their products more rapidly to the market by funding 11 new demonstration projects resulting from the Sustainable blue Economy call. The funded technologies range from new tidal turbine to technologies sustaining aquaculture. This support to market entry for SMEs was continued by the publication of a new call for proposals in this field.

Finally, with the launch of a Market study for the blue Economy and Assistance mechanism for investment in the blue economy, the Agency made in 2018 a crucial step towards **new investment funding schemes** for the maritime sector. The blue bio economy forum launched in March, which will identify up to 15 ready-to-invest projects is also supporting the growth of the blue economy in Europe.

In 2018, the Agency also encouraged the **development of skills and capacity building for the maritime stakeholders**. It continued its support to qualifications development in the blue economy by launching a renewed "Blue Careers" call aimed at bridging the gap between skills' offer by education and the needs of the industry.

The protection of **marine environment** and the **fight against climate change** were supported in 2018 by the funding of five projects in the field of marine litter and one project aimed at restoring Ecosystem in the Mediterranean. The Agency also launched a
project that is measuring the environmental impact of tidal devices and continued its support to the deployment of the EURO-ARGO floats which are measuring salinity and temperature of the oceans.

**Coastal and nautical tourism** were also supported in 2018 by the Agency, through the launch of five projects of touristic route across the Atlantic and the Mediterranean and the finalisation of three grants aimed at developing the touristic potential of underwater cultural heritage routes in Romania, Bulgaria, Croatia, Greece, Italy and Montenegro.

EASME supported the collection of **Marine knowledge** and the development of **data interoperability**. In 2018, it continued its support to the European Marine Observation and Data Network (EMODNET), a partnership of more than 120 organisations collecting marine data and an online platform making these data available to public and private users. It also fostered cooperation of European coast guards through the continued development of interoperability of IT systems at EU level, which is now implemented in nine EU countries (CISE projects).

The Agency pursued its support to public authorities implementing **Maritime Spatial Planning** by launching in 2018 a new call for proposals targeting Atlantic, Mediterranean and Black Sea Regions. This should allow in the future ensuring that human activities at sea take place in an efficient, safe and sustainable way.

As concerns the expansion of **sea basin strategies** for Mediterranean, Atlantic and Black Sea region, the Agency undertook the following action:
- renewed its support to the Union for the Mediterranean and the West- Mediterranean initiative;
- launched a renewed assistance mechanism for the countries bordering the Atlantic by encouraging them to collaborate on maritime projects;
- started the implementation of the Facility for the Blue Growth in the Black Sea, which fosters cooperation in the region on maritime issues; and
- supported the signature of a Ministerial Declaration for a common Maritime Agenda for the Black Sea.

The Agency contributed to support actions undertaken at international level by the organisation of the first arctic stakeholders’ conference that gathered around 150 participants. It also launched a call for tenders in a view of establishing an International Ocean governance Stakeholders forum.

The Common Fisheries Policy (CFP) requires that management decisions must be based on the best available scientific advice. The Agency contributed to this with 24 studies providing scientific advice and knowledge to support fisheries management measures in both EU and international waters as an element to meet **sustainable and competitive fisheries and aquaculture by 2020 objective**. The geographical scope of the scientific advice studies increased further towards the Baltic, the North Sea and the Atlantic EU western waters, the EU outermost regions and the Central Arctic Ocean in 2018 thanks to the launch of two new framework contracts.

The Agency also contributed to **sustainable fisheries** by signing a framework contract in support of the sustainable management of fish resources in the Central Arctic Ocean. Besides, with studies about biodegradable materials and eco-friendly design to be used by the fishing industry (Bio-FADs project) or studies allowing to select effective indicators to measure the impacts of certain fisheries in species of international concern (e.g. endangered/vulnerable species of sharks, tuna, etc.) the Agency contributed to **reduce the impact of the fishing activities in the ecosystem**.
In the Mediterranean, the Agency supported the General Fisheries Commission for the Mediterranean working group on stock assessment in November, by presenting the results of the SPELMED project for sardine and anchovy. Those outputs contributed to improve the assessment models used and the available data (mainly estimation of the natural mortality for both species) in the Western Mediterranean.

EASME also reinforced the development of small-scale fisheries, in particular the "Regional Plan of Action for Small-scale Fisheries in the Mediterranean and the Black Sea" launched in September. The Agency provided recommendations to the draft of this Plan to improve the working conditions and promote women in fisheries sector and in aquaculture through a study finished in 2018.

In 2018, the Agency also supported the use of new practices and more efficient technologies to support the scientific knowledge of some fisheries e.g. via studies performing genetic analysis to better understand the composition and distribution of fish stocks in support to the multi annual fisheries plans.

Finally, aquaculture, a sector of growing importance in the EU was also baked by the Agency both for projects supporting to the development of sustainable aquaculture (AQUALIT) and for projects allowing for innovative aquaculture organic feed and systems that reduce feed waste (EASYFEED & DEMO-BLUESMARTFEED). This projects will reduce the sector's dependence on marine resources.

**Policy feedback and promotion**

In 2018, the Agency continued to collaborate very closely with DG MARE for the preparation of the work programme 2019. Based on the experience acquired, lessons were drawn in order to foster larger scale actions with more focus and impact in order to maximise the benefits of EU funding. For the maritime policy actions, the EMFF team brought in expertise from other EU programmes implemented by EASME (in particular SME Instrument and Enterprise Europe Network) providing real known how and synergies.

The Agency also collaborated with DG MARE by regularly providing information on its more impactful projects via success stories. One of them was promoted as part of the #EUINVEST campaign (LitterDrone – monitoring & mapping marine litter).

In 2018, EASME systematically communicated its activities on its website and social media (LinkedIn and Twitter). Apart from relaying the publication of the calls for proposals/ tenders, it advertised the on-going projects and results (for the studies). In addition, the project ArcheoSub (network of underwater sensors and drones) pitched in a TedEx event (Foggia, Italy) contributing to the visibility of the programme and of the Agency.
Examples of EMFF programme projects:

**Providing scientific input for better management of fish stocks**

Why are sardines and anchovy population declining in the Western Mediterranean Sea? This is the question a study (SPELMED) implemented in 2018 by EASME has answered. Both species are key elements of marine ecosystem and an important bulk of total fishing catches, but due to several factors (environmental fluctuations, oceanographic conditions changes, high fishing impacts and ecosystem competitions between organisms) they have been declining. Moreover, the scientific available information about these species is still fragmented. To bridge this gap, the SPELMED study carried out genetic analysis to identify the “family” relations between populations of sardine and of anchovy in different areas. It was able to provide new information such as natural mortality or growth rates that are used to assess the status of those species, improving this way the sustainability and competitiveness of those fisheries. Results were presented in November 2018 to the GFCM WGSASP (Working Group on Fisheries Assessment for Small Pelagic species of the FAO General Fisheries Commission for the Mediterranean). The new data from SPELMED was incorporated to the assessment of the fish stocks and much appreciated by the scientific community.

**Fostering political dialogue and supporting growth in the Mediterranean Sea Basin**

The Assistance Mechanism for the western Mediterranean is an action that supports 10 Western Mediterranean countries to strengthen maritime regional cooperation and foster the development of transnational projects. The Assistance mechanism organises events and meetings at national and local levels to involve stakeholders at various level (private and public sector). In 2018, the major success was the stakeholder conference in Algiers ‘Towards concrete ‘blue’ actions in the Western Mediterranean’ where potentially interesting projects and new partnerships were identified and will benefit from support by EMFF. This action stimulated the development of growth and jobs in the region.

**Supporting innovative SMES in the field of blue growth**

The ArcheoSub project focuses on the development of ground breaking technology allowing for real time exchange of data in an underwater environment. The project developed a network of underwater sensors and autonomous underwater vehicles aimed at surveying and protecting underwater cultural heritage sites. The network is exchanging real time communication of multimedia data and localisation services for divers. This technology is particularly interesting as it has a lot of potential field of applications: energy, defence, and aquaculture. The funding received through EMFF is particularly important for ArcheoSub as it helps bringing to commercial maturity a number of results acquired through previous funding of FP7 scheme. This project also benefitted from the help of the Enterprise Europe Network in accessing to finance via the programme Innov'Fin a joint initiative by the European commission and the European Investment Bank.
1.5 Legacy programmes: CIP Intelligent Energy Europe Programme and CIP Eco-Innovation

The Intelligent Energy Europe programme (IEE I and II) ran from 2003 to 2013 with a total budget of nearly EUR 1 billion. It aimed to remove the market barriers to energy efficiency and renewable energies and it covered all end-use sectors. In its second and last phase (IEE II 2007-2013), the programme supported about 500 cross-national projects with a budget of EUR 446 million.

In 2018, the Agency had 79 IEE open grants. In total, there were 18 final payments, and 30 additional payments.

One of the key objectives of the Eco-innovation projects is to support on cleaner production, environmental management and new products and services to make sustainable development become a business reality.

In 2018 almost all ECO-Innovation projects will be closed, only 37 project are ongoing. The LIFE programme continues to finance close-to-market projects. To this end, more promotion and financial means are dedicated to attract and support close-to-market projects. Lessons from ECO-innovation programme were integrated in the LIFE programme.

EU added value of the legacy programmes

(CIP Eco-Innovation): The ReVolv project aims to upscale and commercialise an automated system for LCD panel depollution to enable further recycling. The project is coordinated by the private commercial enterprise ALR Innovations Ltd trading as Votechnik located in Limerick (Ireland). The co-beneficiaries provide scientific support, disseminate activities and demonstrate the innovative recycling machine in a commercial environment.

The TECHA project intends to industrialize for the first time the cellulose pulp thermoforming for products (hangers) characterized by a complex design. The coat hanger is the first show case the project is focused on, moreover during and after the project the market replication of cellulose pulp thermoforming will regard also other products like lamps and high value packaging (jewels case) completely substituting plastic components.

Expected results are:
- Production of 350,000 THECHA hangers during the project; EUR 6 million per year two years after the end of the project.
- Reduced Greenhouse Gas Emissions.
- No leach of benzene and bisphenol A in landfill.

The presented project mission of GRASSFinery is to push a new technology that has been developed over the last years in a series of applied R&D projects actively into the market. This will be done by implementing the very first production plant of its kind to produce green chemicals out of the grass feedstock. The array of products involves high grade amino acid (AA) mixtures, lactic acid (LA), sugar and sulphates.

GRASSFinery is in the very favourable position to build upon existing infrastructure and use a comprehensive database which was generated previously in a pilot project of the technology. GRASSFinery will further use an existing green bio-refinery pilot plant equipment and will significantly increase its product output capacity to deliver products to the marketplace. This strategy is seen as a fast track into the market at very reasonable investments offering a variety of additional benefits to the consortium.
(CIP IEE): Cities save thousands of euros while reducing CO2 through energy management systems

Public administrations that have participated in the 50000&1 SEAPs project have improved their energy performance, saved resources and reduced greenhouse gas emissions. Their energy consumption in public buildings, street lighting and vehicle fleet has been reduced with the implementation of Energy Management Systems in conjunction with Sustainable Energy Action Plans (SEAPs).

Over EUR 131 million have been invested in the supported municipalities, leading to annual savings of more than 2010 GWh of heat energy and a reduction of greenhouse gas emissions by 421,000 tons of CO2.

As recognition of their contribution to the implementation of standards in public administration worldwide, two supported cities received the 'Energy Management Leadership Insight Award' in 2017 from the Clean Energy Ministerial. Montecchio Maggiore in Italy, and Daugavpils in Latvia. Nine more cities were certified ISO 50001, including five in Bulgaria, three in France and one in Italy, and the certification process is ongoing for another 23. These results will contribute significantly to the number of public administrations certified in the world, which were only 45 in 2015-2016.

The ISO 50001 standard supports organizations to use energy more efficiently through the development of systematic approaches in achieving continual improvements in energy performance. The 50000&1 SEAPs collaboration showed that their use in municipalities facilitates the development of energy plans and policies. Standards can help cities set long-term ambitious targets backed-up by measured data, have more chances in financing the implementation of their energy actions, monitor and benchmark their performance in a robust way, and better engage their local community with the communication of sound results.

Local Governments can benefit from the guidelines developed by the project partners: 'Integrating a Sustainable Energy Action Plan with an Energy Management System' provides a step by step approach and can usefully complement the ISO 50001 standard and the SEAP technical guidelines.

(CIP IEE): Helping families and energy poverty

Five countries, Bulgaria, Cyprus, Croatia, Italy, Spain, have put their efforts together to develop a project to help tackle energy poverty.

The FIESTA project helped in tackling energy poverty in Croatia, Bulgaria, Cyprus, Spain and Italy by providing families with door-to-door energy audits to help them understand their energy consumption and make energy-efficient decisions. The municipalities behind this project also set up and promoted consumer purchase groups or discount programmes with the support of consumer organisations, retailers, and installers, thereby allowing families to exploit their collective buying power to secure better deals on energy efficient products and RES installations.

On top of helping families, more than 320,000 citizens have also been advised on energy efficiency through Energy Helpdesks, set up in 14 cities, including three in Croatia (Pula, Rijeka, Zadar), three in Bulgaria (Pazardjik, Burgas, Vratsa) and three in Italy (Trieste, Ravenna, Forli).
The Energy Helpdesks also organised annual energy saving lotteries and hosted workshops for schools, social housing residents, and appliance retailers and installers. In total, over 350 energy-efficiency workshops have been conducted for more than 8,500 participants. The project also features extensive online material, accessible to everyone interested in making their energy consumption more efficient.
2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

This section explains how the DG delivered the achievements described in the previous section. It is divided into two subsections.

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

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

2.1 Financial management and internal control

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

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

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

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

The EASME implements the delegated programmes autonomously with the Director acting as authorising officer by delegation (AOD). Accordingly, the Agency manages the EU programme budgets on a direct management mode. To this end, the Agency mainly awards grant agreements through open calls for proposals while a small share of the

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45 Art 36.2 FR: a) effectiveness, efficiency and economy of operations; b) reliability of reporting; c) safeguarding of assets and information; d) prevention, detection, correction and follow-up of fraud and irregularities; and e) adequate management of risks relating to the legality and regularity of underlying transactions.
programmes’ budgets (about 6%) is implemented through procurement contracts. In addition, the Agency manages its own administrative budget.

<table>
<thead>
<tr>
<th>OPERATIONAL Budget 2018 (EUR)</th>
<th>OPERATING (administrative) Budget 2018 (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMMITMENTS (C1) (Budget)</td>
<td>PAYMENTS (C1) (Budget)</td>
</tr>
<tr>
<td>1,675,182,131</td>
<td>1,182,881,147</td>
</tr>
<tr>
<td>COMMITMENTS (C1) (Budget)</td>
<td>PAYMENTS (C1) (Budget)</td>
</tr>
<tr>
<td>43,735,630</td>
<td>43,735,630</td>
</tr>
</tbody>
</table>

Table 4: Budget.

The model used in EASME for the management of financial operations (both operational and operating) is based on a partially decentralised financial circuit with counterweight where the financial part of the transaction is executed by the Finance Unit. In 2018, the Steering Committee adopted the use of a fully decentralised model without counterweight for specific low-risks and low complexity transactions under which the operational units manage the financial part of the reimbursements to monitors and coaches, and payments to applicants under phase 2 of the EIC pilot.

As regards the Operational Budget, the Commitment appropriations (C1 fund source) amounting to a total EUR 1,675,182,131 and the Payment appropriations (C1) amounting to a total EUR 1,182,881,147 are fully implemented (100%).

<table>
<thead>
<tr>
<th>Operational Budget execution per programme</th>
<th>ALL fund sources (as presented in Annex 3)</th>
<th>C1 fund source</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAYMENTS 2018</td>
<td>(million EUR)</td>
<td>(million EUR)</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>COSME</td>
<td>64,53</td>
<td>63,22</td>
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<tr>
<td></td>
<td>5,37%</td>
<td>5,34%</td>
</tr>
<tr>
<td>H2020</td>
<td>915,33</td>
<td>900,98</td>
</tr>
<tr>
<td></td>
<td>76,23%</td>
<td>76,17%</td>
</tr>
<tr>
<td>EMFF</td>
<td>27,28</td>
<td>27,15</td>
</tr>
<tr>
<td></td>
<td>2,27%</td>
<td>2,30%</td>
</tr>
<tr>
<td>LIFE</td>
<td>181,92</td>
<td>181,37</td>
</tr>
<tr>
<td></td>
<td>15,15%</td>
<td>15,33%</td>
</tr>
<tr>
<td>Legacy - CIP IEE II (2007-2013)</td>
<td>7,00</td>
<td>5,72</td>
</tr>
<tr>
<td></td>
<td>0,58%</td>
<td>0,48%</td>
</tr>
<tr>
<td>Legacy - CIP ECO (2007-2013)</td>
<td>4,69</td>
<td>4,45</td>
</tr>
<tr>
<td></td>
<td>0,39%</td>
<td>0,38%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,200,75</td>
<td>1,182,88</td>
</tr>
<tr>
<td></td>
<td>100,00%</td>
<td>100,00%</td>
</tr>
</tbody>
</table>

Table 5: EASME payments in 2018.

In 2018, the Agency continued managing financial operations for the COSME, H2020, EMFF and LIFE programmes as well as for the legacy programmes (IEE II and ECO-I). Compared with the previous year, the total payment amount increased by EUR 49 million (i.e. + 4,35%).

As indicated in the above table, the majority of the 2018 payment appropriations were consumed for H2020 (i.e. 76% of the total). With an increase of 56% compared to 2017, the amount paid by the LIFE programme now represents 15% of the total EASME payment credits. COSME represented 5% of the total. Compared to the total, the EMFF programme still represents the smallest proportion in amounts paid but the amount paid in 2018 for that programme has risen by +38%
compared to 2017.

In 2018, the Agency successfully managed to finalise all financial operations related to the legacy programmes.

In addition to the highlights with regard to programme implementation mentioned under chapter 1, the table below shows the financial results against the targets as given in the 2018 Work Programme.

### Specific objective: the resources of the Agency are managed according to the principle of sound financial management and its underlying transactions are legal and regular.

#### Indicator: time to pay (source of data: EASME.C1)

<table>
<thead>
<tr>
<th>Baseline (2017)</th>
<th>Target (2018)</th>
<th>Current situation (as achieved)</th>
</tr>
</thead>
<tbody>
<tr>
<td>98% of all payments within legal deadlines</td>
<td>100% of all payments within legal deadlines</td>
<td>99% of all payments within legal deadlines</td>
</tr>
<tr>
<td>Legal deadline</td>
<td>Result 2017</td>
<td>Legal deadline</td>
</tr>
<tr>
<td>----------------</td>
<td>-------------</td>
<td>----------------</td>
</tr>
<tr>
<td>30 days</td>
<td>98%</td>
<td>30 days</td>
</tr>
<tr>
<td>45 days</td>
<td>100%</td>
<td>45 days</td>
</tr>
<tr>
<td>50 days</td>
<td>100%</td>
<td>50 days</td>
</tr>
<tr>
<td>60 days</td>
<td>100%</td>
<td>60 days</td>
</tr>
<tr>
<td>75 days</td>
<td>100%</td>
<td>75 days</td>
</tr>
<tr>
<td>90 days</td>
<td>98%</td>
<td>90 days</td>
</tr>
</tbody>
</table>

Average number of days to pay (legal deadlines):

<table>
<thead>
<tr>
<th>Legal deadline</th>
<th>Average 2017</th>
<th>Legal deadline</th>
<th>Average 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 days</td>
<td>12 days</td>
<td>30 days</td>
<td>11 days</td>
</tr>
<tr>
<td>45 days</td>
<td>26 days</td>
<td>45 days</td>
<td>24 days</td>
</tr>
<tr>
<td>50 days</td>
<td>29 days</td>
<td>50 days</td>
<td>n/a</td>
</tr>
<tr>
<td>60 days</td>
<td>40 days</td>
<td>60 days</td>
<td>41 days</td>
</tr>
<tr>
<td>75 days</td>
<td>33 days</td>
<td>75 days</td>
<td>35 days</td>
</tr>
<tr>
<td>90 days</td>
<td>53 days</td>
<td>90 days</td>
<td>56 days</td>
</tr>
</tbody>
</table>

#### Indicator: % of budget execution (commitments and payments) with respect to budget appropriations (source of data: EASME.C1)

<table>
<thead>
<tr>
<th>Baseline (2017)</th>
<th>Target (2018)</th>
<th>Current situation (as achieved)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational budget: 100% in commitments 100% in payments</td>
<td>Operational budget: 100% in commitments 100% in payments</td>
<td>Operational budget: 100% in commitments 100% in payments</td>
</tr>
<tr>
<td>Operating budget: 98% in commitments 85% in payments</td>
<td>Operating budget: 100% in commitments 100% in payments</td>
<td>Operating budget: 99.8% in commitments 92% in payments</td>
</tr>
</tbody>
</table>

Table 6: Payment times and budget execution.

---

46 C1 appropriations.
Overall, the objectives of the Agency are well met in 2018.

Regarding the Time to Pay (TTP), as it was already the case in previous years, the number of transactions processed in 2018 has continued to increase (+9% compared to 2017). Despite this increase, the performance related to the payments made within legal deadlines even further improved in 2018 (from 98% to 99.4%).

With regard to the budgetary execution, the operational budget was executed at 100% both in commitments and payments and the performance on the operating budget improved compared to the previous year.

The initially adopted Operating Budget 2018 (EUR 43,762,703) was slightly reduced by the Steering Committee, resulting in a final budget of EUR 43,735,630. A total\textsuperscript{47} EUR 43,656,315 is committed, out of which a total of EUR 40,174,008 were paid in 2018.

<table>
<thead>
<tr>
<th>OPERATING BUDGET 2018</th>
<th>COMMITMENTS (million EUR)</th>
<th>PAYMENTS (million EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Appropriations authorised</td>
<td>MADE</td>
</tr>
<tr>
<td>Title 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C1 fund source</td>
<td>34.508</td>
<td>34.494</td>
</tr>
<tr>
<td>C8 fund source</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Title 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C1 fund source</td>
<td>6.560</td>
<td>6.523</td>
</tr>
<tr>
<td>C8 fund source</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Title 3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C1 fund source</td>
<td>2.668</td>
<td>2.639</td>
</tr>
<tr>
<td>C8 fund source</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>43.736</td>
<td>43.656</td>
</tr>
</tbody>
</table>

Table 7: Administrative budget per title.

The division of the administrative budget per programme delegated to the Agency is shown in the table below\textsuperscript{48}.

<table>
<thead>
<tr>
<th>Programme</th>
<th>Budget 2017 Million EUR</th>
<th>Budget 2018 Million EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>COSME</td>
<td>8.821</td>
<td>9.500</td>
</tr>
<tr>
<td>H2020</td>
<td>25.973</td>
<td>27.320</td>
</tr>
<tr>
<td>LIFE</td>
<td>5.286</td>
<td>3.869</td>
</tr>
<tr>
<td>EMFF</td>
<td>2.948</td>
<td>3.047</td>
</tr>
<tr>
<td>TOTAL</td>
<td><strong>43.028</strong></td>
<td><strong>43.736</strong></td>
</tr>
</tbody>
</table>

Table 8: Administrative budget per programme.

\textsuperscript{47} C1 appropriations
\textsuperscript{48} Initial foreseen 'ex ante'-budget, not actual costs paid by parent DGs 'ex post'.

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In addition, on a continuous basis the Agency carries out an Accounting Quality Exercise, which aims at ensuring the accuracy of the accounting data in the IT financial systems. During 2018, EASME tested financial transactions in the area of expenditure, pre-financing, commitments, guarantees, recovery orders, fixed assets, cut-off and others. Those tests concluded that financial transactions were recorded according to the Financial Regulation and internal guidelines.

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

2.1.1 Control results

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

No cases related to the following new reporting requirements stemming from the new Financial Regulation applicable as from 1 August are applicable to EASME:

- any cases of ‘confirmation of instructions’ (new FR art 92.3);
- cases of financing not linked to costs (new FR art 125.3);
- Financial Framework Partnerships >4 years (new FR art 130.4) *
- cases of flat rates >7% for indirect costs (new FR art 181.6);
- cases of "Derogations from the principle of non-retroactivity [of grants] pursuant to Art 193 FR" (new FR art 193.2);

1. Effectiveness = the control results and benefits

- Legality and regularity of the transactions

EASME has set up internal control processes aimed to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments concerned.

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

Control results for grants under direct management

The control system for grant direct management is divided into four distinct stages: 1) programming, evaluation and selection of proposals, 2) contracting, 3) monitoring and 4)
ex-post controls. Key indicators have been defined for each stage covering control effectiveness and control efficiency. An overview of all costs and benefits (quantifiable and non-quantifiable) and cost-effectiveness ratios of the internal control system is presented further.

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

Table 9: Stages of programmes.

### Stage 1: programming, evaluation and selection of proposals

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

**Key controls** include the thorough screening of proposals for eligibility, selection and award criteria, the evaluation of proposals by up to five independent experts and a panel review for the ranking of proposals. The list of approved proposals is checked for legal compliance by the AOSDs before it is submitted for a Commission inter-service consultation. These are key checks to ensure the excellence of the proposals to be funded and the legality and regularity of operations, since a compliance deficiency in the selection process would affect the regularity of all the ensuing grants.

<table>
<thead>
<tr>
<th>Programme</th>
<th>Stage 1 Evaluation and Selection</th>
<th>Stage 2 Contracting</th>
<th>Stage 3 Monitoring</th>
<th>Stage 4 Ex-post Controls</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legacy CIP EEN</td>
<td>N/A</td>
<td>N/A</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Legacy CIP IEE</td>
<td>N/A</td>
<td>N/A</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Legacy CIP Eco Innovation</td>
<td>N/A</td>
<td>N/A</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>COSME</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>H2020 - Innosup</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>H2020 SME &amp; FTI</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>H2020 Energy</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>H2020 Environment &amp; Resources</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>LIFE</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>EMFF</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
</tbody>
</table>

**Control effectiveness ratios - calls**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>% number of calls successfully launched / number of calls planned in the (revised) AWP</td>
<td>66,0%</td>
<td>100,0%</td>
<td>94,4%</td>
<td>100,0%</td>
<td>100,0%</td>
<td>97,8%</td>
</tr>
<tr>
<td>% of budget value implemented / budget allocated</td>
<td>97,2%</td>
<td>97,6%</td>
<td>99,4%</td>
<td>99,1%</td>
<td>100,0%</td>
<td>100,0%</td>
</tr>
</tbody>
</table>
The Agency concluded successfully all the calls planned in the 2018 Annual Work Programme, for the programmes delegated as from 2014, with the exception of the COSME programme, where 11% of the calls have been cancelled and 22% postponed to 2019.

The budget allocated for calls published in 2017 has been fully implemented or committed for most of the programmes in 2018. For calls published in 2018, the Agency started to commit funds that will be further managed in 2019.

As mentioned earlier, the legacy programmes are phasing out and no calls have been launched since 2014.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Submitted proposals</td>
<td>130</td>
<td>237</td>
<td>150/58</td>
<td>76</td>
<td>189</td>
<td>369</td>
<td>1076</td>
<td>17135</td>
</tr>
<tr>
<td>Inadmissible proposals</td>
<td>3</td>
<td>3</td>
<td>34</td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>11</td>
<td>55</td>
</tr>
<tr>
<td>Ineligible proposals</td>
<td>5</td>
<td>2</td>
<td>63</td>
<td>3</td>
<td>22</td>
<td>2</td>
<td>1</td>
<td>30</td>
</tr>
<tr>
<td>Withdrawn/duplicate proposals</td>
<td>0</td>
<td>17</td>
<td>31</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>49</td>
</tr>
<tr>
<td>Eligible proposals (subject to evaluation)</td>
<td>122</td>
<td>215</td>
<td>149/30</td>
<td>72</td>
<td>184</td>
<td>344</td>
<td>1064</td>
<td>16931</td>
</tr>
<tr>
<td>Proposals selected for funding - &quot;main&quot; list</td>
<td>90</td>
<td>30</td>
<td>985</td>
<td>19</td>
<td>27</td>
<td>117</td>
<td>145</td>
<td>1413</td>
</tr>
<tr>
<td>Proposals selected for funding - &quot;reserve&quot; list</td>
<td>4</td>
<td>30</td>
<td>60</td>
<td>6</td>
<td>25</td>
<td>75</td>
<td>29</td>
<td>229</td>
</tr>
<tr>
<td>Total selected proposals for funding</td>
<td>94</td>
<td>60</td>
<td>1045</td>
<td>25</td>
<td>52</td>
<td>192</td>
<td>174</td>
<td>1642</td>
</tr>
<tr>
<td>% success rate : number of selected (funded) vs eligible proposals</td>
<td>77,0%</td>
<td>27,9%</td>
<td>7,0%</td>
<td>34,7%</td>
<td>28,3%</td>
<td>55,8%</td>
<td>16,4%</td>
<td>9,7%</td>
</tr>
</tbody>
</table>

Table 11: Control effectiveness ratios – proposals

Following the evaluation of proposals against a set of eligibility, selection or award criteria, and depending on the nature of the programme, about 6.5% (the EIC/SME and FTI) to 77% (COSME) of the eligible proposals were recommended to receive funding. Please note, the total proposal evaluated in H2020 ENV and Resources refer to phase I (365) and phase II (189), from which the withdrawn proposal has been deducted. As pointed out in part 1 of this report, the H2020 EIC/SME-Instrument continues to attract a record number of proposals showing a great interest of SMEs in the funding scheme, resulting in a wider range of selecting the best proposals.
The Agency received a very low number of evaluation review requests ranging from 0.01% to 2.5% of the number of proposals evaluated all the requests for evaluation review were below the target of 3%. In total, EASME received 32 requests, however, only three review requests led to a re-evaluation of the proposals, representing respectively 0.01% and 0.8% of the proposals evaluated for the concerned programmes H2020 for the EIC/SME and the EIC/FTI\textsuperscript{50} and COSME respectively. The overall low number of redress procedures provides a good indication of the robustness of the grant award process and assurance on the effectiveness of the internal control system.

Control benefits (Stage 1)

The benefits of the Stage 1 – programming, evaluation and selection of proposals are not identifiable in quantitative or monetary terms.

In qualitative terms, the benefit of the evaluation and selection stage is the identification of proposals that best address the objectives and priorities of the work programmes which, thanks to their high maturity, have the best chances for successful completion within the eligibility period, and which provide the highest EU added value for the completion of the respective policy targets.

Stage 2: contracting

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

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

Control benefits (Stage 2)

The financial impact of the adjustment process is defined as the reduction, expressed as a percentage, of the EC contribution to the grant agreements as a result of the adjustment process itself. Detailed figures are shown below:

\begin{table}[h]
\centering
\begin{tabular}{|l|c|c|c|c|c|c|c|c|}
\hline
\hline
Proposals evaluated & 130 & 220 & 15027 & 76 & 189 & 553 & 1076 & 17271 \\
Evaluation review requests received & 1 & 0 & 2 & 1 & 4 & 14 & 11 & 32 \\
Evaluation review requests leading to a re-evaluation (target <=1) & 1 & 0 & 2 & 0 & 0 & 0 & 0 & 3 \\
% of evaluation review requests vs proposals evaluated (target < 3\%) & 0.8\% & 0.0\% & 0.01\% & 1.1\% & 1.9\% & 2.5\% & 1.0\% & 0.2\% \\
% of review requests leading to re-evaluation vs proposals evaluated & 0.8\% & 0.0\% & 0.01\% & 0.0\% & 0.0\% & 0.0\% & 0.0\% & 0.0\% \\
\hline
\end{tabular}
\caption{Control effectiveness ratios – evaluation review requests}
\end{table}

\textsuperscript{50} For the programmes SME and FTI the target of maximum 1 evaluation review has not been achieved; however, considering that the number of proposals evaluated is beyond 16,000, having only 2 evaluations review is considered a great achievement.
The adjustment rate varies from 0.04% to 3.02%. In the case of H2020 programmes, given that no adjustment phase is foreseen, the difference between the recommended funding and the final awarded grant is rather limited. As a consequence of the grant preparation phase, a total of EUR 17, 2 million was reduced from the awarded funding. This can be considered as a quantifiable benefit of the contracting phase in 2018.

### Stage 3: monitoring the execution

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

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

Compared to previous year, the total value of rejected costs by the ex-ante controls increased significantly by 78%; in 2017, the increase from previous year was around 65%. In addition to the substantially higher overall amount of cost claims controlled ex-ante, such increase in absolute terms of error detection is mainly due to the fact that in 2017, for the newly delegated programmes, the major part of payments was related to pre-financings, where no ex-ante controls were performed. During 2018 the effort of ex-ante controls focused on interim payments. No ex-ante controls were performed on the legacy programme CIP EEN as this programme was in its final stage. This explains to a certain extent the generally lower ex-ante error rates for new programmes and higher ex-ante error rates for legacy programmes. In terms of percentage, the detected error rate decreased for all programmes, except for COSME and the CIP ECO-Innovation (legacy) programmes. The overall increase of the average detected error can be attributed to reinforced preventive and educative measures taken versus beneficiaries to increase compliance with the grant agreement rules.

### Control benefits (Stage 3)

<table>
<thead>
<tr>
<th>Detected errors, ex-ante controls = benefits stage</th>
<th>COSME</th>
<th>H2020 INNO-SUP</th>
<th>H2020 SME &amp; FTI</th>
<th>EMFF</th>
<th>H2020 ENERGY</th>
<th>Legacy IIE</th>
<th>H2020 ENV &amp; RESOURCES</th>
<th>LIFE</th>
<th>Legacy CIP ECO-Innovation</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>value of cost claims controlled ex-ante</td>
<td>€49,209.711</td>
<td>€16,264.819</td>
<td>€44,966.204</td>
<td>€27,482.076</td>
<td>€73,680.287</td>
<td>€24,642.736</td>
<td>€199,804.773</td>
<td>€883,355.818</td>
<td></td>
<td></td>
</tr>
<tr>
<td>value rejected costs</td>
<td>€1,269.264</td>
<td>€324.581</td>
<td>€20,013.757</td>
<td>€414,321</td>
<td>€4,465.207</td>
<td>€65,501.163</td>
<td>€126,852</td>
<td>€673,241</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% detected errors ex-ante controls</td>
<td>2.58%</td>
<td>2.00%</td>
<td>0.65%</td>
<td>1.51%</td>
<td>4.70%</td>
<td>26.38%</td>
<td>0.63%</td>
<td>11.68%</td>
<td>5.33%</td>
<td></td>
</tr>
</tbody>
</table>

Table 14: Control benefit – Stage 3

The ex-ante controls aim to identify and prevent irregularities, allowing for immediate correction and avoid time-consuming recovery actions. As can be concluded from the table, the ex-ante controls result in a considerable amount of detected errors and rejected costs in the cost claims submitted by the beneficiaries for a total value of more
than EUR 47 million. This can be considered as a quantifiable benefit of the monitoring phase in 2018.

The benefits of ex-ante control stages 2 and 3 are quantified by the reduction of funds awarded during the contracting procedure, equal to EUR 17.2 millions, and the corrections made before the final payments, amounting to 47.1 millions EUR.

**Stage 4: managing ex-post controls and implementing results**

<table>
<thead>
<tr>
<th>Objective 1: Effective and reliable internal control system giving the necessary guarantees concerning the legality and the regularity of the underlying transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indicator 1: Estimated residual error rate</strong></td>
</tr>
<tr>
<td><strong>Source of data:</strong> EASME multi-annual ex-post control strategy, H2020 audit strategy</td>
</tr>
<tr>
<td><strong>Target</strong></td>
</tr>
<tr>
<td>IEE II, Eco-inno, EEN, COSME, LIFE, EMFF: less than 2% of the total budget for grants per programme</td>
</tr>
<tr>
<td>H2020: as close as possible to 2% (within the range of 2-5%) (as per H2020 audit strategy)</td>
</tr>
<tr>
<td>CIP EEN: 1.66%</td>
</tr>
<tr>
<td>LIFE: 0.36%</td>
</tr>
<tr>
<td>Horizon 2020: 2.45% at research family level$^{51}$</td>
</tr>
</tbody>
</table>

| Indicator 2: Estimated overall amount at risk for the year for the entire budget under EASME's responsibility. |
| **Source of data:** EASME |
| **Target** | **Result$^{52}$** |
| Below the materiality threshold of 2% | [2.99-3.07%] |
| | [26.90-27.68]MEUR |

| Indicator 3: Estimated future corrections |
| **Source of data:** EASME – implementation of audit findings |
| **Target** | **Result** |
| To achieve the best estimation of future correction | 6.29 MEUR |

Ex-post controls are a key element of the control strategy of the Agency. The main objectives of ex-post controls are:

- detecting and correcting any error or fraud remaining undetected after the implementation of ex-ante controls,
- address systematic weaknesses in the ex-ante controls,
- ensuring that the audit results from the ex-post controls lead to effective recoveries.

**Key controls** encompass ex-post controls carried out on a multi-annual basis and based on value-based sampling and completed with a number of risk-based audits to address specific risks for the legacy programmes and on COSME, LIFE and EMFF programmes.

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$^{51}$ The residual error rate for the Research family is 2.22%, expected to rise to around 2.45% when taking into account the draft audit reports. The residual Error Rate derived from the Common Representative Sample for EASME participations only is at 2.36%, expected to rise to around 3.05% when taking into account the draft audit reports.

$^{52}$ EASME decided to report two error rates, in order to disclose the impact of the bankruptcy cases identified in the value-targeted audits.
The ex-post control audits are performed by external independent contractors, closely monitored by the Agency’s ex-post control team.

For H2020, ex-post controls are under the responsibility of the Common Audit Service (CAS). The CAS undertakes all (representative and complementary) Horizon 2020 audits, for all Horizon 2020 stakeholders, including EASME. It is a major step forward in ensuring a harmonised approach and also in ensuring that audit burden on beneficiaries is minimised.

For Horizon 2020, the Common Representative Sample (CRS) provides an estimate, via a representative sample of cost claims across the Research and Innovation family, of the overall level of error in the Research Framework programmes, across all services involved in its management, including EASME. Moreover, the CRS is complemented by risk-based audits, selected according to one or more risk criteria relevant for the overall population.

The corrective actions (recovery, offsetting against subsequent payment, payments) are implemented in accordance with the financial circuits and authorised by the Authorising Officer by Sub Delegation (AOSD).

**Control benefits (Stage 4)**

The benefits of Stage 4 – ex-post controls correspond to the detected errors, which amount to 1,4 millions EUR.

<table>
<thead>
<tr>
<th></th>
<th>IEE II</th>
<th>CIP EEN</th>
<th>CIP Eco Innovation</th>
<th>COSME</th>
<th>LIFE operating grants</th>
<th>H2020</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detected errors</td>
<td>273.228</td>
<td>43.553</td>
<td>967.706</td>
<td>84.216</td>
<td>13.506</td>
<td>0</td>
<td>1.382.209</td>
</tr>
</tbody>
</table>

Table 15: Control benefit – Stage 4.

In addition, there are a number of **qualitative** benefits resulting from the controls operated during the different control stages:

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

As regards Horizon 2020, the audits are performed by the Common Audit Service. Therefore, the part of costs dedicated to ex post audits and the related benefits, covering all implementing bodies of the Research family (DGs, executive agencies and joint undertakings) are not accounted for in this report.

The results of the audits, namely the error rates, are detailed below according to the programme they refer to. They are dedicated to the control results in terms of effectiveness as regards legality and regularity.

The programmes managed by EASME are implemented under the direct management scheme, which entails direct financial contributions through co-financed contracts signed with external parties. To have reasonable assurance that the payments authorised are accurate and compliant with the applicable contractual provisions, EASME carries out ex-ante and ex-post controls. The ex-post control strategy and the recovery process contribute to the legality and regularity of expenditure on a multi-annual basis by systematically detecting and correcting errors made by beneficiaries in the reporting phase. These elements complement the ex-ante controls embedded in EASME’s

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53 For more details, please refer to DG RTD Annual Activity Report.
programme management processes.

- **Programmes delegated to the Agency**

As determined in the materiality criteria in Annex 4, the threshold above which a reservation is required is set at a cumulative residual error rate of 2% by the end of the programme implementation for all programmes; exceptionally, for Horizon 2020 the error rate is established within the range of 2-5%.

The residual risk of error is estimated by the residual error rate: it is obtained from an examination of value-based sampled transactions and calculated on a cumulative multi-annual approach, including all audits closed by the end of the reporting year.

For the audited population, the Agency deducts any corrections made by implementing the audit results from the total amount of errors detected. The remaining errors reported to the total amount paid and audited by EASME gives the residual error rate for the audited population.

The residual error rate of the programme is the weighted average of the residual error rate applied to the audited part and the error rate presumed to be affecting the non-audited part.

Because of its multi-annual nature, the effectiveness of the control strategy of the Agency can only be fully measured and assessed in the final stages of EASME's multi-annual programmes, once the ex-post control strategy is fully implemented and errors have been detected and corrected.

The Agency's ex-post control strategy for the legacy programmes and COSME, LIFE and EMFF aims to detect and correct the most significant errors. The Agency focuses on value-based audits, aiming at cleaning the largest amounts from errors and thus maximising assurance. This approach is based on selection criteria such as high amounts granted, high number of projects. This approach is considered more control-effective, result in higher returns on investment, has a dissuasive effect and is cost-effective. In addition to the value-based sampled audits, also exceptional and unique risk-based audits can be performed to a limited extent following the field and desk controls done by the operational units indicating important risks, issues or problems at beneficiary level. Due to their specific nature, error rates of these “risk-based” audits are not included in the detected error rate calculated on the total sample.

The multiannual residual error rates based on audits performed by EASME for the legacy Programmes and COSME and LIFE are shown in the table below:

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54 Such sampling is not deemed as fully statistically representative. However, for the populations of EASME programmes, based on our experience from the legacy programmes and to the best of our knowledge, there are no indications, at ex-post level, for inherently higher error rates in larger participations; thus the value-based audits are considered as being a non-biased ‘proxy’, i.e. they are random enough to enable drawing conclusions from them. In accordance with DG BUDG guidelines, this approach is considered the second-best alternative as a proxy to a fully representative or random sample. Finally, a sampling based on a pure random approach would bring along the risk of having an insufficient coverage, thus affecting significantly the proper disclosure of the residual error rate for the un-audited population and the corrective capacity.

55 We consider that the part of payments remaining un-audited and un-corrected is affected by errors of the same magnitude of the representative detected error rate.
Table 16: Programme Multi-Annual Residual Error Rates (legacy programmes, COSME and LIFE)

<table>
<thead>
<tr>
<th>Multi-annual key indicators (ex-post controls 2008-2018)</th>
<th>CIP IEE II</th>
<th>CIP IEE II</th>
<th>CIP EEN</th>
<th>CIP Eco Innovation</th>
<th>CIP Eco Innovation</th>
<th>COSME</th>
<th>LIFE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of ex-post controls</td>
<td>Min</td>
<td>Max</td>
<td>Min</td>
<td>Max</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>144</td>
<td>144</td>
<td>65</td>
<td>104</td>
<td>104</td>
<td>12</td>
<td>4</td>
</tr>
<tr>
<td>Ineligible costs = detected error amount</td>
<td>1.093.201</td>
<td>1.116.638</td>
<td>737.828</td>
<td>864.833</td>
<td>2.824.228</td>
<td>84.216</td>
<td>13.506</td>
</tr>
<tr>
<td>Cost accepted and paid ex-ante subject of audit</td>
<td>38.416.023 38.603.601</td>
<td>39.358.794</td>
<td>31.893.661</td>
<td>35.474.401</td>
<td>5.133.558</td>
<td>3.372.192</td>
<td></td>
</tr>
<tr>
<td>Detected error rate</td>
<td>2,85%</td>
<td>2,89%</td>
<td>1,87%</td>
<td>2,71%</td>
<td>7,96%</td>
<td>5,49%</td>
<td>0,40%</td>
</tr>
<tr>
<td>Errors not corrected</td>
<td>2.468</td>
<td>2.468</td>
<td>131.752</td>
<td>140.729</td>
<td>363.449</td>
<td>26.753</td>
<td>2.254</td>
</tr>
<tr>
<td>Uncorrected error rate</td>
<td>0,01%</td>
<td>0,01%</td>
<td>0,33%</td>
<td>0,44%</td>
<td>1,02%</td>
<td>1,74%</td>
<td>0,07%</td>
</tr>
<tr>
<td>% budget value parts audited target 5% - 20% by 2020</td>
<td>9,61%</td>
<td>9,61%</td>
<td>13,75%</td>
<td>28,33%</td>
<td>28,33%</td>
<td>1,12%</td>
<td>12,10%</td>
</tr>
<tr>
<td>% budget value parts not audited</td>
<td>90,39%</td>
<td>90,39%</td>
<td>86,25%</td>
<td>71,67%</td>
<td>71,67%</td>
<td>98,88%</td>
<td>87,90%</td>
</tr>
<tr>
<td>Residual error rate = (% audited * uncorrected error rate)+ (% non audited * detected error rate)</td>
<td>2,57%</td>
<td>2,62%</td>
<td>1,66%</td>
<td>2,07%</td>
<td>6,00%</td>
<td>5,45%</td>
<td>0,36%</td>
</tr>
</tbody>
</table>

- **Legacy programmes (2007-2013)**

For CIP Enterprise Europe Network (EEN) programme (2007-2013), in 2018, the Agency finalised the last audits of this programme and implemented the related audit findings. Therefore, stemming from the results of 65 audits, the final cumulative residual error rate on a multi-annual basis is at 1,66%, below the 2% materiality threshold. As this programme totally phased out in 2018, i.e. no new payments on the CIP EEN legacy programme took place during the reporting year, considering that all planned audits were closed and the related audit results were implemented, the Agency decided to close the audit cycle of this programme. Since the cumulative residual error rate is below the materiality threshold at the end of the multi-annual audit cycle, the Agency considers the ex-post control strategy as effective.

In 2018, EASME has maintained two reservations applicable to the legacy programmes, one for the CIP Intelligent Energy Europe II (IEE II) and one for the CIP Eco-Innovation (ECO-I) programmes, for which the cumulative residual error rates are estimated at a range of [2.57-2.62%] and [2.07-6.00%] respectively.

As of AAR 2017, EASME has decided to report two separate residual error rates with minimum and maximum ranges, in order to disclose the impact of the bankruptcy cases identified among the value-based audits on the error rate\(^{56}\). In the CIP Eco-Innovation programme, within the value-based sampling EASME faced on a multi-annual cumulative basis seven cases of beneficiaries that went bankrupt or under dissolution at the time of the audit.

In these bankruptcy cases, the provision of relevant supporting evidence was challenging, because supporting documents were not available, proper assistance was not provided by the beneficiaries due to lack of staff and accounting systems were not accessible, leading to a limitation of scope in the audit reports. As a consequence of unavailable supporting evidence, the detected error rate of these bankruptcy cases is

\(^{56}\) The interpretation of not considering the bankruptcy cases as representative of the audited population has been discussed with DG BUDG, which deemed it reasonable.
61%. EASME considers that the irregularities identified in these audits are exceptional and not representative of the population. Although these cases represent seven audits out of 104 audits performed on the programme, their result has a significant impact on the residual error rate, leading to an increase from 2.07% to 6.00%.

Similarly, in CIP IEE II programme, EASME faced one bankruptcy case out of 144 audits performed, already reported in 2017. Although its impact on the residual error rate is less significant, it leads to an increase of the residual error rate from 2.57% to 2.62%.

Since the introduction of the reservation in 2015 for CIP IEE II and in 2016 for CIP Eco-I, the Agency has implemented several remedial actions, both at ex ante and ex post levels, as follows:

a) analysis of the audits results in order to identify the root causes of errors, with the aim of tackling them in due time;
b) organisation of workshops with the operational and financial units of EASME, to share lessons learned from ex post controls, in order to prevent and detected errors earlier and enhancing ex ante controls;
c) organisation of a communication campaign with beneficiaries to inform them about the most common sources of errors and tips on how to avoid them;
d) improvement of the ex-ante controls guidelines of CIP ECO-I;
e) reinforced monitoring, with visits on the site by the financial officer in order to detect and address any potential error at an early stage of the Eco-I projects;
f) increase of the ex post audit coverage, with the aim to maximise the cleaning effect and reduce the residual error rate at the end of the multi-annual ex-post audit strategy;
g) close monitoring of the implementation of audit results in order to reduce the residual error rate for the audited population;

Both programmes are at the final stages of implementation, with very few payments planned for 2019 on ECO-I and no payments expected on IEE II. Therefore, the Agency considers that additional corrective actions in 2019 would not be cost-effective.

- **LIFE, EMFF and COSME (2014-2020)**

The error rates set out below must be considered only as a preliminary estimation and must be treated with due care and in a long-term perspective. The first audit campaigns described below were taken at an early stage of the programmes, in order to provide an early indication of the error rate and to help assess whether the ex-ante controls were effective. The nature of expenditure in the first years of those programmes may not be totally representative of the expenditure across the whole period of expenditures. Moreover, those programmes are in any case multi-annual, so the residual error rates must be considered over the same elapse of time.

- **LIFE**

As regards LIFE, the Agency launched in 2018 a first audit campaign of ten audits, covering ten beneficiaries involved in 17 projects, which included four risk-based audits. By 31 December, on a cumulative basis, four audits were closed, leading to an estimated multiannual residual error rate of 0.36% for LIFE programme.

In 2018, only audits related to LIFE Operating Grants were launched, grants which have a fixed duration of one year.

For LIFE Action Grants, no audits were launched in 2018, as this type of multi-annual grants, which have an average duration of 4 years, did not reach yet the corresponding level of maturity.

In 2018, only seven final payments of LIFE Action Grants took place, mostly towards the
end of the year. The first peak of final payments on LIFE Action Grants is expected in 2019. Given this time lag, the Agency considers launching a number of audits in 2019 on LIFE Action Grants, in line with the Agency’s ex post control strategy. Therefore, the Agency will have a preliminary indication of the error rate on this type of grants as well by 2020.

However, taking into consideration the historically low error rates of the predecessor of this programme (LIFE +), the Agency does not expect significant changes in terms of error rates.

- **EMFF**
  As regards EMFF programme, this type of multiannual grants reached the corresponding level of maturity for launching a first audit campaign by the end of 2018.

In 2018, 31 payments related to grants took place. A first audit selection was performed in December 2018, covering 10 beneficiaries involved in 11 projects, including one risk-based audit. The audits are under preparation. The first indications in terms of detected error rates are expected in the second semester of 2019.

- **COSME**
  In 2018, the results of the first audit campaign on the COSME programme have become available. This first audit campaign was set at an early stage of the programme, in May 2017, in order to provide an early indication of the error rate.

At the end of 2018, the multiannual residual error rate was estimated at 5.45% at programme level. However, this error rate gives only a preliminary indication and must be treated with care, by taking into account the following elements:

- The nature of expenditures audited in the first years of the programme is not entirely representative of the expenditures across the whole programming period. Indeed, the COSME programme is composed of Enterprise Europe Network actions (EEN) and COSME actions. The latter represent a smaller part of the budget – indicatively one third – of the entire COSME programme. The first audit campaign did not include EEN actions, as at the time of the audit selection, only few payments on EEN actions were made.

- The risk profile of COSME actions beneficiaries, audited during this first audit campaign, is different compared to EEN beneficiaries. Beneficiaries of COSME actions are in their majority small organisations, which do not always have a robust financial management system in place, neither previous experience with EU funding.
  On the contrary, EEN beneficiaries, which were in their vast majority also involved in the legacy EEN programme (2007-2013), are well-structured and robust entities.

- The first audit campaign covered a limited number of value-based audits, i.e. 12 beneficiaries covering 16 financial statements. It represents 3.92% of the payments of COSME actions grants and 1.12% of the total payments of COSME programme related to grants (COSME actions and EEN), on a cumulative basis, from 1 January 2014 to December 2018.

- The result comes from three audits with high error rates of respectively 17.36%, 18.04% and 26.35%, deriving from systematic errors. In two other audits, the error rate is slightly above 5%. In the remaining seven audits, there were clean.

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57 As of 31/12/2017, only 2 payments for low value amounts on LIFE action grants took place.
58 As of 31/12/2017, only 5 payments, out of which 2 of low amount were performed in relation to EMFF grants.
audit reports, out of which four with positive adjustments in favour of the beneficiaries.

The Agency therefore considers that these audit results only give an initial indication of the error rate of the COSME programme as a whole.

However, in line with DG BUDG guidance, EASME decided to issue a reservation, as the cumulative residual error rate at the year-end is estimated to be above the materiality threshold of 2% expected for the multi-annual period. The amount at risk corresponds to 0.13% of the total budget execution in terms of payments in 2018 within the Agency. Therefore, its effect on the overall declaration of assurance is extremely limited.

Following these first audit results, the Agency decided to implement an action plan, in view to detect and correct errors earlier in the lifecycle of the projects.

The following actions were implemented in 2018:

a) Revision and improvement of the COSME financial guidelines, to prevent the most common findings identified during ex-post audits in future financial statements. The revised guidelines entered into force by the end of August.

b) Sharing of the lessons learned from the execution of the ex-post controls with operational and financial teams of COSME, in order to prevent and detect errors earlier and enhance further its ex-ante controls.

c) Increase of the ex-post audit coverage of the COSME programme, by launching a new audit campaign on both EEN and COSME actions in September. This second audit campaign includes 20 value-based audits, covering 20 EEN beneficiaries; on COSME actions 12 audits were launched covering 12 beneficiaries, out of which 10 are value-based and two risk based audits.

The aim is a reduced residual error rate at the end of the multi-annual ex-post audit strategy. Those audits are still on going and there is a minimum 1-year gap between launching the audits and audit results becoming available.

The Agency will continue to address the issue during the course of 2019 aiming at a multi-annual error rate below 2% for the COSME programme at the end of the programming period.

Specifically, the following actions will take place:

a) A communication campaign towards COSME beneficiaries with ongoing projects. The most common sources of errors and provision of useful tips in order to avoid them will be communicated through webinars.

b) Improve and intensify the information provided to beneficiaries on financial obligations, audits and ex post controls, by inviting the financial officers of the coordinating beneficiaries to attend kick off meetings.

c) Continuous monitoring by the operational and financial teams in order to detect at an early stage ‘critical’ actions, which will be subject to reinforced ex-ante checks.

d) Financial officers will perform a number of ad-hoc missions on the premises of beneficiaries, identified as critical, in order to clarify potential questions related to financial reporting before its submission and execution of final payments.

However, the overall result in terms of (lower) error rates is not expected to be fully available for 2019 AAR as the measures described above will take time to have an impact. The reason being that the mitigating measures were launched in October-November 2018. The desired effect of such mitigating measures are expected to take place for the payments after this date, which could be audited at the earliest within the audit batches to be launched in 2019.
• **Horizon 2020 (2014-2020)**

For Horizon 2020, ex post audits are under the responsibility of the Common Audit Service (CAS). For Horizon 2020, the final control objective of the Research Family is to try to achieve a multiannual residual error rate as close as possible to 2%<sup>59</sup>. Considering that all of these grants follow the same homogeneous overall control system, a Common Audit Strategy for Horizon 2020 was adopted on 22 February 2016 and covers all the implementing bodies, including EASME.

The Common Representative Sample (CRS) provides an estimate, via a representative sample of cost claims across the Research and Innovation Family, of the overall level of error in the Research Framework Programmes, across all services involved in its management<sup>60</sup>. The CRS is complemented by 'risk-based' audits; audits selected according to one or more risk criteria. These audits are intended to detect and correct as many errors as possible, for instance by targeting the larger beneficiaries and through identification of possibly fraudulent operators. These audits are also referred to as 'corrective' audits.

Different indicators are calculated to provide a comprehensive view of legality and regularity:

**Overall Detected Error Rate**: this is the error rate derived from the results of all audits, whether audits on a representative sample of beneficiaries or audits implemented for other reasons (large beneficiaries, preventive audits, risk factors, etc.). Its value is cumulative and can be calculated for a specific implementing body or for the whole Research and Innovation Family.

**Representative Error Rate for the Framework Programme**: this is the error rate derived solely from the results of the CRS, extrapolated to the overall population and calculated for each Framework Programme as a whole. This error rate provides an estimate of the level of error in the given Framework Programme at the time of the audits, but does not factor in the follow-up and corrections/recoveries undertaken by Commission services after the audit, nor does it provide information on the net final financial impact of errors.

**Residual Error Rate**: the residual error rate, on a multi-annual basis, is the extrapolated level of error remaining after corrections/recoveries undertaken by Commission services following the audits that were made. The calculation of the residual error rate, as shown in Annex 4, is based on the following assumptions:

1. all errors detected will be corrected;
2. all non-audited expenditure of audited beneficiaries is clean from systematic material errors so that the residual error rate in this expenditure can be estimated to be equal to the non-systematic part of the representative error rate (for expenditure subject to extension of audit findings this is only assumed when the respective extension procedures have been closed).

The residual error rate develops over time and depends on the assumptions set out above. This indicator is reliable and acceptable for the purposes for which it was intended, i.e. as a legality and regularity indicator on the progress made, through its ex-

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<sup>59</sup> The financial statement accompanying the Commission's proposal to the legislative authority for the Horizon 2020 regulations states: "The Commission considers therefore that, for research spending under Horizon 2020, a risk of error, on an annual basis, within a range between 2-5 % is a realistic objective taking into account the costs of controls, the simplification measures proposed to reduce the complexity of rules and the related inherent risk associated to the reimbursement of costs of the research project. The ultimate aim for the residual level of error at the closure of the programmes after the financial impact of all audits, correction and recovery measures will have been taken into account is to achieve a level as close as possible to 2 %.

<sup>60</sup> For more details, please refer to Annex IV, materiality criteria.
post audit strategy, in dealing with errors over a multi-annual basis. However, it remains an estimate as long as not all cost claims were received and not all cases of extension of audit findings have been fully implemented yet.

At this stage of the programme lifecycle, cost claims totalling EUR 9 billion of requested funding were received by the services by the end of 2018. The first Horizon 2020 audits were launched in the middle of 2016 and further audits were launched in 2017 and 2018. Two Common Representative Samples (CRS), Common Risk Samples and Additional Samples61 were selected. In total, by December 2018, 2383 participations were selected for audit, covering all the services signing grants in Horizon 2020.

In total, the audit of 1155 participations were finalised by the end of the year (763 in 2018). This includes 164 out of 303 participations selected in the first two CRS. The error rate at 31 December 2018 is:

**Overall Detected Error Rate** based on 1155 participations: 1,62 %

**The Detected Error Rate** based on 164 out of 303 participations selected in the first and second CRS is 2.43%. However, if we take into account the draft audit reports which will be finalised in 2019, then the expected representative error rate for the full sample will be around 3.32%.

**Residual Error Rate for the Research and Innovation Family**: 2,22 %, expected to rise to around 2.45% when taking into account the draft audit reports.

The residual Error Rate derived from the CRS for EASME participations only is at 2,36%, expected to rise at 3,05% when taking into account the draft audit reports.

The error rates set out above **must still be treated with care.** The two first CRS are not yet complete, and so the error rate is not yet fully representative of the expenditure that it covered. In addition, the first CRS was taken at an early stage of the programme in order to provide an early indication of the error rate and, also, to help assess whether the simplifications introduced in Horizon 2020 were effective. The nature of expenditure in the first years of the programme may not be totally representative of the expenditure across the whole period of expenditure. The programme is in any case multi-annual, so the error rates, and especially the residual error rate, must be considered over time. In particular, the cleaning effect of audits over time will tend to increase the difference between the representative/detected error rate and the residual error rate, with the latter finishing at a lower rate.

There is nevertheless evidence that the simplifications introduced in Horizon 2020, as well as the increased experience of major beneficiaries, are reducing the number and level of errors made by beneficiaries. However, beneficiaries still make a number of errors, sometimes because of a lack of understanding of the rules, sometimes because of a non-respect of the rules.

To improve clarity of the rules and compliance with them the following actions have already been taken:

- **The Model Grant Agreement, and its accompanying annotations, were already adjusted to introduce simplifications or clarifications on different points.** The results of the first audits were considered in a working group bringing together auditors from the Commission and the Court of Auditors to see where additional simplifications and clarifications may be needed.62

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61 This sampling accommodates special needs of certain stakeholders with regard to audit coverage and selection method. In addition, top ups, which are participations of selected beneficiaries which are added to the selected participations, are included in the total participations selected.

62 This meeting took place on 14 March 2018.
Considerable efforts were made to ensure clear communication of the rules and guidance to participants and their auditors. In 2018, the Common Support Center has been attending and coordinating 15 events organised by the National Contact Points of members States and associated members with a total of 1819 participants.

Lump sum funding has already been used for the SME stage 1 calls grants. Trials of lump sum funding for collaborative projects began in 2018 to evaluate if this form of entitlement funding, which would avoid errors of legality and regularity, is appropriate to achieving all the objectives of research policy. These trials will continue in 2019.

The first audit results suggest that the detected (and in future representative) error rate will remain within the established range. Together with the experience in FP7, they also suggest that the objective for the residual error rate will be respected.

In conclusion, EASME still considers that the error rate will fall within the range established in the Financial Statement, so it does not consider that a reservation is needed for Horizon 2020 expenditure.

- **Estimated overall amount at risk at payment and overall amount at risk at closure**

In the context of the protection of the EU budget, at the Commission's corporate level, the DGs' estimated overall amounts at risk and their estimated future corrections are consolidated.

For EASME, the estimated overall amount at risk at payment for the payments made in 2018 is EUR [26,90-27,68] million. In order to calculate the overall amount at risk:

- For the 2007-2013 programming period, the Agency has used the multiannual detected error rates by programme63;
- For the 2014-2020 programming period, the Agency has used the detected errors rates as best estimates available for programmes Horizon 2020, COSME and LIFE;
- For EMFF programme, as explained above, there are no audit results as of 31 December. Therefore, the first indications in terms of error rates on this programme are expected in the next annual reports. The Agency applied the weighted average detected error rate of the legacy programmes (2007-2013) to EMFF. This leads to a detected error rate of 2.79%64. The Agency opted for this approach for the following reasons: a) the financial rules applicable to this programme are very similar to the legacy programmes; b) ex-ante controls checks applied to EMFF are very similar to the ones applied to the legacy programmes.

Payments on the procurements and payments of experts are considered as low-risk expenditure, thus the Agency has used the standard conservative rate of 0.5% of potential error.

As far as the operating budget is concerned, given the fact that it has been continuously audited by the European Court of Auditors without producing any material findings, the Agency considers the risk of error as low and has used the standard conservative rate of 0.5%.

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63 As explained above, as of AAR 2017, the Agency as decided to report two residual error rates with minimum and maximum ranges, in order to disclose the impact of bankruptcy cases identified in the value-based audits.

64 We have applied the min range only, as the Agency considers that bankruptcy cases which occurred in CIP Eco-I and CIP IEE II are exceptional and not fully representative of the population.
In the context of the protection of the EU budget, at the Commission's corporate level, the DGs' estimated overall amounts at risk and their estimated future corrections are consolidated.

For EASME, the estimated overall amount at risk at payment for the 2018 expenditure is EUR [26,90-27,68] million. This is the AOD's best, conservative estimation of the amount of relevant expenditure during the year (EUR 900,52 million) not in conformity with the applicable contractual and regulatory provisions at the time the payment is made.

DG BUDG provided the overall average corrective capacity of EASME at 3.3% of the average annual payments made by the Agency. However, the corrective capacity based on the implementation of the ex-post controls results over the last four years (2015-2018) is estimated at 0.11% for COSME, LIFE, EMFF and the legacy programmes. For these programmes, the Agency applied the corrective capacity based on ex-post controls to estimate the future corrections. For H2020, EASME has calculated the corrective capacity in line with Research and Innovation family and used as a best estimate, a corrective capacity of 0.27%.

This expenditure will be subsequently subject to ex-post controls and a sizeable proportion of the underlying error will be detected and corrected in successive years. The conservative estimated future corrections for the 2018 expenditure are EUR 2.02 million. This is the amount of errors that the Agency conservatively estimates to identify and correct from controls that it will implement in successive years.

The difference between those two amounts leads to the estimated overall amount at risk at closure for the 2018 expenditure of EUR [24.88-25.66 ] million.
<table>
<thead>
<tr>
<th>EASME</th>
<th>payments made (FY; m€)</th>
<th>minus new prefinancing [plus retentions made*] (in FY; m€)</th>
<th>plus cleared prefinancing (minus retentions released* and deductions of expenditure made by MS) (in FY; m€)</th>
<th>&quot;relevant expenditure&quot; (for the FY; m€)</th>
<th>Average Error Rate (weighted AER; %)</th>
<th>estimated overall amount at risk at payment (FY; m€)</th>
<th>Average Recoveries and Corrections (adjusted ARC; %)</th>
<th>estimated future corrections [and deductions] (for FY; m€)</th>
<th>estimated overall amount at risk at closure (m€)</th>
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<td>Operational budget</td>
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<td>H2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>902,8</td>
<td>512,71</td>
<td>321,88</td>
<td>711,96</td>
<td>3,32%</td>
<td>23,64</td>
<td>23,64</td>
<td>0,27%</td>
<td>1,92</td>
</tr>
<tr>
<td>Procurement</td>
<td>8,7</td>
<td>0,57</td>
<td>-</td>
<td>8,15</td>
<td>0,50%</td>
<td>0,04</td>
<td>0,04</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Experts</td>
<td>3,8</td>
<td>-</td>
<td>-</td>
<td>3,82</td>
<td>0,50%</td>
<td>0,02</td>
<td>0,02</td>
<td></td>
<td></td>
</tr>
<tr>
<td>COSME</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>46,49</td>
<td>37,54</td>
<td>19,84</td>
<td>28,79</td>
<td>5,49%</td>
<td>1,58</td>
<td>1,58</td>
<td>0,11%</td>
<td>0,03</td>
</tr>
<tr>
<td>Procurement</td>
<td>17,78</td>
<td>0,05</td>
<td>-</td>
<td>17,73</td>
<td>0,50%</td>
<td>0,09</td>
<td>0,09</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Experts</td>
<td>0,26</td>
<td>-</td>
<td>-</td>
<td>0,26</td>
<td>0,50%</td>
<td>0,00</td>
<td>0,00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LIFE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>176,52</td>
<td>170,07</td>
<td>15,03</td>
<td>21,47</td>
<td>4,00%</td>
<td>0,09</td>
<td>0,09</td>
<td>0,11%</td>
<td>0,02</td>
</tr>
<tr>
<td>Procurement</td>
<td>5,40</td>
<td>-</td>
<td>-</td>
<td>5,40</td>
<td>0,50%</td>
<td>0,03</td>
<td>0,03</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Experts</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0,00</td>
<td>0,50%</td>
<td>0,00</td>
<td>0,00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EMFF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>9,20</td>
<td>3,94</td>
<td>2,09</td>
<td>7,35</td>
<td>2,79%</td>
<td>0,20</td>
<td>0,20</td>
<td>0,11%</td>
<td>0,01</td>
</tr>
<tr>
<td>Procurement</td>
<td>17,97</td>
<td>-</td>
<td>-</td>
<td>17,97</td>
<td>0,50%</td>
<td>0,09</td>
<td>0,09</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Experts</td>
<td>0,11</td>
<td>-</td>
<td>-</td>
<td>0,11</td>
<td>0,50%</td>
<td>0,00</td>
<td>0,00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CIP Eco I</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>4,69</td>
<td>-</td>
<td>9,89</td>
<td>14,57</td>
<td>2,71%</td>
<td>0,39</td>
<td>1,16</td>
<td>0,11%</td>
<td>0,02</td>
</tr>
<tr>
<td>Procurement</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0,00</td>
<td>0,50%</td>
<td>0,50%</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CIP IEE II</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>6,43</td>
<td>-</td>
<td>11,36</td>
<td>17,79</td>
<td>2,85%</td>
<td>0,51</td>
<td>0,51</td>
<td>0,11%</td>
<td>0,02</td>
</tr>
<tr>
<td>Procurement</td>
<td>0,58</td>
<td>-</td>
<td>-</td>
<td>0,58</td>
<td>0,50%</td>
<td>0,00</td>
<td>0,00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operational expenditure</td>
<td>1,200,75</td>
<td>724,89</td>
<td>380,08</td>
<td>855,95</td>
<td>26,68</td>
<td>27,45</td>
<td>2,02</td>
<td>24,66</td>
<td>25,43</td>
</tr>
<tr>
<td>Operating Budget</td>
<td>44,58</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grand Total</td>
<td>1,245,33</td>
<td>724,89</td>
<td>380,08</td>
<td>900,52</td>
<td>26,90</td>
<td>27,68</td>
<td>2,02</td>
<td>24,88</td>
<td>25,66</td>
</tr>
</tbody>
</table>

Table 17: Estimated overall amount at risk at closure
Notes to the table

(1) differentiates for the relevant portfolio segments at a level which is lower than the DG total.

(2) Payments made or equivalent, such as after the expenditure is registered in the Commission's accounting system, after the expenditure is accepted or after the pre-financing is cleared. In any case, this means after the preventive (ex-ante) control measures have already been implemented earlier in the cycle. In all cases of Co-Delegations (Internal Rules Article 3), the "payments made" are covered by the Delegated DGs. In the case of Cross-SubDelegations (Internal Rules Article 12), they remain with the Delegating DGs. The reconciliation of total new pre-financing provided from ABAC BO report mentioned in this table with the detailed by programme shows a slight difference of EUR 4.99 million. The ABAC BO report show new pre-financings and cleared pre-financings as global values per Agency/ entity. The currently available ABAC BO reports do not provide a split of payments per programme, nor the split between payments for grants/procurement/expert. Based on the information available in ABAC and according to the naming convention, data was processed per programme to discriminate payments related to grants, procurement and experts as well as to identify the new pre-financings.

(3) New pre-financing actually paid out by the department itself during the financial year (i.e. excluding any pre-financing received as transfer from another department). The "Pre-financing" is covered as in the context of note 2.5.1 to the Commission (provisional) annual accounts (i.e. excluding the "Other advances to Member States" (note 2.5.2) which is covered on a pure payment-made basis). "Pre-financings paid/cleared" are always covered by the Delegated DGs, even in the case of Cross-SubDelegations. The total amount of pre-financing cleared that appears above shows a difference with ABAC data BO report (EUR 7.04 million), as the amount reported in the table includes pre-financing cleared by corrections and recoveries. Overall, this leads to a conservative approach, as the total relevant expenditure is slightly overestimated in the table above compared to the ABAC BO report.

(4) Pre-financing actually having been cleared during the financial year (i.e. their 'delta' in FY 'actuals', not their 'cut-off' based estimated 'consumption'). (5) For the purpose of equivalence with the ECA's scope of the EC funds with potential exposure to L&R errors (see the ECA's 2017 AR methodological Annex 1.1 point 15), also our concept of "relevant expenditure" includes the payments made, subtracts the new pre-financing paid out, and adds the previous pre-financing actually cleared during the FY. This is a separate and 'hybrid' concept, intentionally combining elements from the budgetary accounting and from the general ledger accounting.

(6) In order to calculate the weighted Average Error Rate (AER) for the total relevant expenditure in the reporting year, the detected error rates have been used – or equivalent. As regards Horizon 2020, in line the Research family, the expected representative error rate for the full sample for H2020 at Research and Innovation Family level including draft reports has been used. For types of low-risk expenditure with indications that the equivalent error rate might be close to 'zero' (administrative expenditure, procurement and experts), as a conservative estimate, we have used 0.5% following DG BUDG instructions.

(8) Even though to some extent based on the 7 years historic Average of Recoveries and financial Corrections (ARC), which is the best available indication of the corrective capacity of the ex-post control systems implemented by the DG over the past years, the AOD has adjusted this historic average from 3.3% to 0.11% for COSME, LIFE, EMFF and the legacy programmes (CIP EEN, CIP Eco I and Intelligent Energy Europe II). Any ex-ante elements, one-off events, (partially) cancelled or waived Recovery Orders, and other factors from the past years that would no longer be relevant for current programmes have been adjusted in order to come to the best but conservative estimate of the ex-post future corrections to be applied to the reporting year's relevant expenditure for the current programmes.

Further to IAS recommendations, for programmes COSME, LIFE and the legacy programmes (CIP EEN, CIP ECO I and Intelligent Energy Europe II), this estimation is based on a recent historic average, taking into account the implementation of ex post audits closed during the period 2015-2018, leading to a recovery capacity of 0.11%. For EMFF, as no indications for the future corrective capacity are available at the moment (for more details, please refer to page 64), the Agency has decided to use the corrective capacity based on ex post controls related to the other programmes but Horizon 2020 as best and conservative estimate.

For Horizon 2020, in line with the Research and Innovation family and further to ECA/IAS recommendations, EASME adjusted this value for grant management expenditure and used EASME_aar_2018_final Page 75 of 116
as best estimation: the difference between the family expected representative error rate for the full sample including draft reports (3.32%), and the EASME residual error rate, including draft audit reports (3.05%).

For other type of expenditures (procurement, experts, and operating budget) we assumed that the ex-post future corrections would be 0%.
**Fraud prevention, detection and correction**

<table>
<thead>
<tr>
<th>Output</th>
<th>Indicator</th>
<th>Target</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anti-fraud awareness training sessions</td>
<td>% of newcomers trained</td>
<td>100 %</td>
<td>70% Newcomers with a previous career at the Commission have attended the compulsory training</td>
</tr>
<tr>
<td>Regular monitoring of Anti-fraud Strategy, fraud risks and reporting to management</td>
<td>Follow up report</td>
<td>Twice a year</td>
<td>Anti-fraud action plan monitored and reported in March 2018 and January 2019</td>
</tr>
</tbody>
</table>

EASME has developed and implemented its own anti-fraud strategy since 2013\(^{65}\), elaborated on the basis of the methodology provided by European Anti-Fraud Office (OLAF). A fully-fledged update of the EASME anti-fraud strategy was performed in December 2016 and endorsed in 2017\(^{66}\). Following the update of the Commission’s anti-fraud strategy, EASME will assess the need to update its own anti-fraud strategy during 2019.

In the course of 2018, EASME has continued implementing the action plan of its revised anti-fraud strategy aiming to enhance fraud awareness, build capacities for effective detection of potential fraud cases, improve cooperation with OLAF and improve the Agency’s reactivity with regard to recoveries and sanctions.

As part of the yearly risk assessment exercise, EASME carried out in 2018 a fraud risk assessment, taking into account several sources: input of the Agency’s workgroup, relevant audit work (including IAS audit), conclusions from fraud cases, workshops organised by OLAF and information exchanged in the relevant networks (Fraud and Irregularities in Research Committee (FAIR), Fraud Prevention and Detection Network (FPD Net)). During the risk assessment exercise, the likelihood of fraud risk in EASME’s activities was assessed as low.

During the reporting year, three new cases were transmitted by the Agency to OLAF. The EASME Anti-Fraud Committee, which has an advisory role to the Director on external fraud cases, has met once in 2018 to discuss potential cases based on the findings of external audits on some beneficiaries.

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

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\(^{65}\) EASME’s first anti-fraud strategy was adopted on 17.12.2013  
\(^{66}\) Revision of EASME’s anti-fraud strategy of 10 March 2017
The anti-fraud measures undertaken by EASME are incorporated throughout the control activities put in place on a daily basis. Accordingly, the related benefits of the anti-fraud actions are embedded in the benefits stemming from the control results, both in quantitative and qualitative terms, in particular with regard to the deterrent effect.

**Conclusion on the effectiveness of internal controls.**

EASME has assessed its internal control system during the reporting year and has concluded that it is effective and that the components and principles are present and functioning as intended.

Two out of three reservations reported in this document refer to error rates above the materiality threshold for legacy programmes; EASME took the appropriate mitigating measures in this regard. Taking into consideration that the error rates decreased over the past years following the mitigating measures taken by EASME, the effectiveness of the related internal controls is considered positive. The third reservation related to COSME programme stems from an early conclusion after the first audit batch over a consideration on assurance having a multi-annual span. In light of this consideration, EASME deems both magnitude and maturity of such reservation not substantial

Further explanations are detailed in section 2.1.3 of this report.

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

In this section, we consider the control efficiency ratios per each of the four stages of controls, as described in section 2.1.1

**Control efficiency Stage 1 – average time to inform**

<table>
<thead>
<tr>
<th>Control efficiency - Average time to inform (TTI)</th>
<th>COSME</th>
<th>H2020 INNO -SUP</th>
<th>H2020 SME phase I</th>
<th>H2020 SME phase II</th>
<th>FTI</th>
<th>EMFF</th>
<th>H2020 ENERGY</th>
<th>H2020 ENV &amp; RESOURCES</th>
<th>LIFE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target TTI</td>
<td>183</td>
<td>153</td>
<td>61</td>
<td>122</td>
<td>92</td>
<td>183</td>
<td>153</td>
<td>153</td>
<td>183</td>
</tr>
<tr>
<td>Result TTI</td>
<td>116</td>
<td>105</td>
<td>54</td>
<td>49</td>
<td>77</td>
<td>86</td>
<td>135</td>
<td>76</td>
<td>118</td>
</tr>
</tbody>
</table>

Table 18: Control efficiency Stage 1 – average time to inform

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

**Control efficiency Stage 2 – average time to grant**

The table below gives an overview of the average time to grant of the various programmes managed by the Agency.

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67 Section “Impact on assurance” of Reservation 3 under the Declaration of Assurance provides detailed explanations on the low connotation of the causes underlying such reservation.
The average time to grant is below the target for all programmes, except for the SME Instrument Phase I, where the limits of 3 months is exceeded by 35 days. EASME aims to improve its performance in this programme; a specific team has been set up to handle grant agreement preparation for the EIC/SME instrument phase 1. Following a continuous improvement process, the team has reviewed all the communications with the beneficiaries during the Grant agreement preparation. Thanks to these improvements, for 2019, the Agency expects to achieve the target.

Substantial changes in the implementation will be performed. In particular, under the EIC pilot umbrella, a dedicated team will implement the whole grant cycle for the FTI call.

3b) Control efficiency Stage 3 – average time to pay

As can be seen from the table above, the vast majority of the payments of the Agency are performed within the legal deadlines\(^68\); in addition, the discrepancies from the target of 100% are minimal.

Overall, in the past three years EASME has maintained a stable performance on the “time-to” indicators, working consistently within the set deadlines and targets.

4 b) Control Efficiency

Ex-post audits carried out

The table below shows the audit work carried out in 2018.

\(^68\) See part 2.1. (financial management).
Concerning the legacy programmes, the Agency performed an analysis on the state of play of the achieved audit coverage compared with the Ex-post Control Strategy applicable and of the estimated residual error rate achieved by the end of 2017.

As regards CIP EEN, three audits contracted in 2017 were still open at beginning of 2018. All audits were finalised by July 2018. The residual error rate is below the materiality threshold. No new payments took place during the reporting year. Under these circumstances, the Agency decided to close the audit cycle on this programme.

Concerning the reservations for CIP IEE II and CIP Eco Innovation (Eco-I), the Agency performed an analysis of the cost-effectiveness of a further increase of the ex-post coverage, in order to ensure that potential corrections within the audited population would be higher than the cost of the audits and the internal resources allocated to their quality review.

The last payments of the programmes were expected for 2018 thus additional audits could not have any deterrent effect.

In these circumstances, the Agency decided to launch exclusively risk based audits for those programmes during 2018 and then close the audit cycle.

Therefore, a last audit campaign, covering 10 risk-based audits on CIP Eco-I and one risk-based audit on CIP IEE II was launched in 2018. In addition, one audit on CIP ECO-I was performed with in-house resources. As of 31 December, three reports related to these audits were finalised.

For Eco-I, 30 audits contracted in 2016-2017 were still open at beginning of 2018, out of which 29 were finalised by year-end.

For CIP IEE II, 26 audits contracted in 2016-2017 were still open at beginning of 2018, out of which 25 were finalised by year-end.

69 For more details on value based and risk based audits, please refer to page 61
In addition, 2018 was the first year of the audit campaign on COSME and LIFE. In this context, kick-off meetings were organised with the external contractors in charge of performing these audits, in order to introduce the specificities of each programme, together with the tailor-made audit work programme and the simplified audit report template.

Moreover, in order to monitor the work of the contractors in charge of performing ex-post audits, the EPC team joined the auditors for a selected number of fieldworks. The purpose of those missions was to perform an on-the-spot quality control of the work of the external contractors as well as to provide guidance on the specific eligibility rules.

On LIFE programme, the Agency launched a batch of 9 audits in May, covering nine beneficiaries involved in 16 operating grants, out of which four were risk-based audits. Moreover, the Agency closed two audit assignments performed with in house resources. As of 31 December, the Agency closed in total four audit reports related to the LIFE programme.

On the COSME programme, the Agency launched a first batch of 11 value-based audits in December 2017. All reports were closed within the reporting year.

Following the results of this first audit campaign and the reservation introduced, the Agency promptly implemented an action plan. In terms of ex-post controls, the Agency decided to increase the ex-post audit coverage of the COSME programme, by launching a new audit campaign in September.

This second audit campaign includes 20 value-based audits, covering 20 EEN beneficiaries while on COSME actions 12 audits were launched covering 12 beneficiaries, out of which 10 are value-based and two risk-based audits. The aim is a reduced residual error rate at the end of the multi-annual ex-post audit strategy.

**Implementation of audit results**

![Table 22: Status of implementation of audit results.](image)

It should be noted that there is a time lag between the start of the project, the payments, audits performed and recoveries made. Projects managed by the Agency are multiannual and involve payments at different stages, in particular for COSME and Horizon 2020 programmes.

For the legacy programmes and for LIFE, the audits were mainly carried out after the final payments. In these cases the corrections are implemented timely, via issuing recovery orders.

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70 For more details, please refer to section legality and regularity
In COSME and Horizon 2020 programmes, there were a number of audits related to interim payments. In these cases, corrections are implemented by offsetting against another future payment. As payments are usually made at 18-24 month intervals, there will often be a considerable time lag between the identification of an error and the effective correction. Given the pattern of payments, this does not generally present a particular risk to the EU financial interests. However, it is one of the major reasons why there are many outstanding recoveries for Horizon 2020.

By the end of 2018, on a cumulative basis from the beginning of each programme, from detected errors in value-based audits an overall range of [86-87.46%] is recovered. The remaining [12.5-14%] is mainly linked to final audit reports which were closed near the year-end, for which the implementation of audit findings is expected to be issued in 2019 and for Horizon 2020, a number of audited projects were on-going and the related audit findings will be offset against other future payments.

In case of a bankruptcy, in order to protect as much as possible the financial interests of the EU, the recovery order is issued immediately after the closure of the audit. This is to ensure, to the maximum extent possible, that the debt is registered before the bankruptcy decision is declared by the Court.

3. **Economy = the cost of controls**

**Cost of control – all Stages**

The calculation of the cost of controls has been done taking into account the number of relevant FTEs working in each function related to the pertinent control stage, in line with the applicable new methodology. The Agency took into account as well other costs related to external experts – such as for the evaluation and monitoring phases and the performance of ex-post audits at beneficiaries premises; the costs are established from the total amounts disbursed to those experts during 2018. The estimation of the relevant FTEs working on control activities has been done by each AOSD responsible for the implementation of programme under his/her portfolio. The number of Full Time Equivalent (FTE) per stage has been multiplied by the commission standard costs (145,900 EUR for Officials and Temporary Agents, and 74,700 EUR for Contractual Agents).

The repartition of staff workload over the 3 stages of ex-ante controls has been estimated as follows: 15% for stage 1, 15% for stage 2, 70% for stage 3, considering the direct and indirect grant management and overheads. The costs of ex-ante control stages are calculated taking into account the number of FTEs working in the operational units, in accordance with the allocation given by the middle management to the activities of grant management and horizontal activities.

The calculation of Stage 4 – ex-post controls takes into account the actual costs, namely the expenses incurred for external audit companies and the FTEs working on ex-post controls.\(^{71}\) As per the ex-ante stages, the number of FTEs has been multiplied by the applicable commission standard costs.

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\(^{71}\) In 2017, Stage 4 costs were calculated as 7% of the overall FTEs spent on global grant management, including direct, indirect and overheads. With the new calculation, costs for Stage 4 have decreased by 50% roughly, showing a more accurate quantification of time spent of this stage of control.
Both the costs for experts hired for the evaluation phase borne by REA and the costs of ex-post control related to H2020 borne by the Common Support Centre of DG RTD are expressed at a global level, without a split per client entity. Not having detailed figures to make use of, EASME consequently cannot take into account those costs in the quantification of costs of controls.

<table>
<thead>
<tr>
<th>Costs per stage</th>
<th>Staff costs</th>
<th>Other costs</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>stage 1 (15%)</td>
<td>3.881.613</td>
<td>1.652.525</td>
<td>5.534.138</td>
</tr>
<tr>
<td>stage 2 (15%)</td>
<td>3.881.613</td>
<td>0</td>
<td>3.881.613</td>
</tr>
<tr>
<td>stage 3 (70%)</td>
<td>18.056.023</td>
<td>11.303.124</td>
<td>29.359.147</td>
</tr>
<tr>
<td>stage 4</td>
<td>379.909</td>
<td>579.920</td>
<td>959.829</td>
</tr>
<tr>
<td>Total</td>
<td>9.695.748</td>
<td>16.503.410</td>
<td>26.199.159</td>
</tr>
</tbody>
</table>

Table 23: Cost of control – all Stages

When compared to the amounts managed, the costs of control show reasonable percentages. A global ratio of 4.33% of cost of controls over the total amount managed is considered a good indicator. The share of the corporate cost of controls borne by the Common Support Centre (CSC) of DG RTD for ex-ante and ex-post controls, and by REA for the validation of experts has been taken into account to establish the total amount of cost of controls.

<table>
<thead>
<tr>
<th>Costs of controls</th>
<th>Amounts managed</th>
<th>Ratio costs/amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>ex-ante controls</td>
<td>34.622.781</td>
<td>1.200.751.799</td>
</tr>
<tr>
<td>(operational</td>
<td></td>
<td></td>
</tr>
<tr>
<td>budget)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ex-ante cost of</td>
<td>5.523.458</td>
<td>1.200.751.799</td>
</tr>
<tr>
<td>controls from CSC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ex-ante cost of</td>
<td>10.086.315</td>
<td>1.200.751.799</td>
</tr>
<tr>
<td>controls from REA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ex-post controls</td>
<td>959.829</td>
<td>33.085.431</td>
</tr>
<tr>
<td>(amount audited in</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ex-post cost of</td>
<td>846.538</td>
<td>705.448.647</td>
</tr>
<tr>
<td>controls from CSC</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

72 DG RTD, as the lead DG of the H2020 Programme, ensures the overall effective coordination within the Research and Innovation Family. Its Common support service (CSC) provides common services both at ex-ante and ex-post level (legal support, ex-post audit, IT systems and operations, business process) to all entities implementing H2020. The CSC ex-ante controls costs represent 0.46% of the total H2020 budget implemented in 2018 while the part dedicated to ex-post audits accounts for 0.12%

73 REA is in charge of the validation activities for all entities belonging to the Research family. Since 1 January these costs are considered at corporate level and reported only by REA; in particular, the total costs of REA for experts’ validation represents the 0.84% of the total costs grants payments for the Research family in 2018
Total cost of controls | 52.038.923 | 1.200.751.799 | 4,33%

Compared to last year, EASME detects an increase from 2,8% to 4,33% in the ratio of cost of controls over the total amounts managed. The main reason of such increase is attributed to the increase of Staff costs of controls; both the number of FTEs and the standard staff costs raised in 2018 from previous year. In addition, in the previous year costs borne by the CSC and REA were reported at the corporate level only and were not included in the total costs of controls of EASME.

4. Conclusion on the cost-effectiveness of controls

**Objective 2: Effective and reliable internal control system in line with sound financial management.**

<table>
<thead>
<tr>
<th>Indicator 1: conclusion reached on cost effectiveness of controls</th>
<th>Source of data: EASME/ C01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline (2017)</td>
<td>Target</td>
</tr>
<tr>
<td>Controls are cost effective</td>
<td>Controls are cost effective</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indicator 2: comparing costs and benefits</th>
<th>Source of data: EASME/ C01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline (2017)</td>
<td>Target</td>
</tr>
<tr>
<td>Benefit of controls balance the cost of controls</td>
<td>Benefit of controls balance the cost of controls (narrative description)</td>
</tr>
</tbody>
</table>

Based on the most relevant key indicators and control results, EASME has assessed the effectiveness, efficiency and economy of the control system and reached a positive conclusion.

EASME has a stable control environment and its control strategy is consistent to previous years. Overall, EASME has a good performance in the efficiency ratios (time to pay, time to grant) and acceptable level of error rates among all the programmes managed. Two out of three reservations reported in this document refer to error rates above the materiality threshold for legacy programmes; EASME took the appropriate mitigating measures in this regard. Taking into consideration that the programmes are at end of their life cycle and the error rates decreased over the past three years, the cost-effectiveness of the related internal controls is considered positive. The new reservation related to COSME programme, since it stems from an early conclusion after the first audit batch over a consideration on assurance having a multi-annual span, does not affect the conclusion on the cost-effectiveness of internal controls. The principles of effectiveness, efficiency and economy are respected and the balance among low error rates, fast payments and low cost of control is considered adequate across the four stages of controls; this shows that the financial effort spent on controls is worth as it brings positive results. Consequently, the control strategy will be maintained.
2.1.2 Audit observations and recommendations

This section reports and assesses the observations, opinions and conclusions reported by auditors in their reports as well as the limited conclusion of the Internal Auditor on the state of internal control, which could have a material impact on the achievement of the internal control objectives, and therefore on assurance, together with any management measures taken in response to the audit recommendations.

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

The following audits were carried out during the reporting year\(^{74}\) and resulted in the following conclusions:

**IAS**

- Limited review on the reporting on the corrective capacity\(^{75}\):

  The limited review covered DG BUDG and other entities amongst which EASME. One very important recommendation was issued related to the implementation of the reporting and was addressed to the different auditees. More specifically for EASME, the IAS recommended changes in the methodology and an adequate disclosure of these changes. In the meantime, the Agency has properly implemented the IAS recommendation through an updated reporting on the corrective capacity in the 2017 AAR and the IAS has closed the recommendation.

- Follow up audit on the "Audit on the effectiveness of the management of the COSME programme by EASME"\(^{76}\):

  Two audit recommendations have been closed by the IAS in 2018: (i) a "very important" one on the cooperation between EASME and its parent DG for implementing the COSME programme and (ii) an "important" one on the reporting of EASME’s performance in COSME actions. A third "important" recommendation related to the implementation of the delegated actions was already assessed as implemented by the IAS in 2017.

- Consequently, the COSME audit is now completely closed. Audit on the Management of Human Resources in EASME\(^{77}\):

  All three audit recommendations, rated as “important” have been implemented in 2018 and are assessed as “ready for review” by the Agency\(^{78}\), namely:

  (i) the improvement of the HR and L&D strategy by making a link with workforce needs, KPI’s and actions;
  (ii) the revision of the HR recruitment manual to include a few changes;
  (iii) the update of the workload assessment by developing a clear methodology, by reflecting the available and future resource needs with

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\(^{74}\) The internal audit reports considered are the final IAS reports issued in the period 01/02/2018 – 31/01/2019.

\(^{75}\) IAS final report from 19.03.18. Action plan coordinated by DG BUDG from 04.05.18

\(^{76}\) IAS final audit report issued on 13 January 2017 and EASME action plan on 26 January 2017

\(^{77}\) IAS final audit report issued on 23 June 2017 and EASME action plan on 19 July 2017

\(^{78}\) The IAS has carried out a follow-up audit on 2 out of 3 audit recommendations in Q1 2019. The final conclusions are not available at this stage (mid March 2019).
actions to undertake, and finally the implementation of a mapping system for skills and competencies.
The results from the IAS follow up audit are expected in Q2 2019.

**ECA**

**Administrative budget**

With regard to the Agency's administrative budget, for which it receives a subsidy from the EU budget, the Court examines the Agency's accounts and financial transactions in accordance with Article 248 of the Treaty on an annual basis.

The ECA audit on the 2017 annual accounts took place in March 2018. The Court expressed the opinion that the Agency's 2017 annual accounts presented fairly its financial position. The transactions underlying the annual accounts were legal and regular in all material aspects. Three comments were raised related to (i) strengthening the accounting officer's independence by making him/her directly responsible to the Agency's Director, (ii) updating the validation of the accounting systems and (iii) the implementation of e-invoicing.

These points do not call the Court's positive opinion into question and were properly addressed in the Agency's replies and actions.

**Operational budget**

The Court finalised the audits of seven transactions for the DAS 2017 and two transactions for the DAS 2018 operational budget.

**Statement of Assurance (DAS) 2017**

Out of 11 transactions audited by the ECA, 7 audits\(^79\) were finalised during the reporting year 2018 with the following results:

- No error rate for four transactions: one for the COSME programme and three for the H2020 programme\(^80\);
- For three transactions the ECA concluded that the error rate was higher than 2%:
  - An error rate of 64% for a H2020 transaction\(^81\): However, the error rate calculated by the ECA is based on an extrapolation, which cannot be justified towards the beneficiary. The effective error rate amounts to 36% (about EUR 24,000) and is mainly due to costs not recorded in the accounts and missing evidence. The erroneous amount will be offset against the second interim payment;
  - An error rate of 16% (about EUR 14,000) for another H2020 transaction\(^82\) following an incorrect hourly rate. The ECA classified the error as non-detectable. The Agency has undertaken corrective actions to address the audit findings;

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\(^79\) 4 audits have been finalised and reported in 2017  
\(^80\) 3 transactions for the DAS of DG GROW and 1 for the DAS of DG RTD  
\(^81\) DAS DG RTD (H2020 SMEI transaction)  
\(^82\) DAS DG ENER (H2020 Market Uptake transaction). Joint audit with CAS who agreed with the ECA conclusions
- An error rate of 10.9% for LIFE NGO transaction due to ineligible costs paid for consultant services and communication costs. However, the EASME ex-post control team (EPC) joined the ECA. The EPC team agreed in essence with the Court’s issues but concluded that they do not result in a financial adjustment due to the re-classification of costs in the right cost category, resulting in a 0% error rate.

**Statement of Assurance (DAS) 2018**

Out of eight transactions sampled for the DAS 2018, two audits on H2020\(^{83}\) grant agreements were finalised during the reporting year, resulting in a non-quantifiable error rate.

**Implementation of audit recommendations**

All audit recommendations were accepted by management and are being implemented as foreseen without significant delays. None of the very important recommendations are overdue for more than six months.\(^{84}\)

**Conclusions:**

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

Audit recommendations due in 2018 were implemented in a reasonable time frame without significant delays. The action plans for ongoing audit recommendations - due in 2019 - are closely monitored and are on track.

The IAS concluded that the internal control systems in place for the audited processes are effective.\(^{85}\)

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\(^{83}\) One for DAS RTD and one for DAS ENER  
\(^{84}\) Neither the "important" recommendations are overdue for more than six months  
\(^{85}\) IAS contribution to the 2018 AAR- Ares(2019)929386
### 2.1.3 Assessment of the effectiveness of the internal control systems

The Commission has adopted an Internal Control Framework based on international good practice, aimed to ensure the achievement of policy and operational objectives. In addition, as regards financial management, compliance with the internal control framework is a compulsory requirement.

EASME has put in place the organisational structure and the internal control systems suited to the achievement of the policy and internal control objectives, in accordance with the standards and having due regard to the risks associated with the environment in which it operates.

Since the beginning of the year, the Agency has continued to take concrete steps in further strengthening the foundations for effective embedding of the Internal Control Framework. The formal adoption signifies a key milestone and the very basis in the overall embedding process. Each year the Agency aims to train or remind staff about the Internal Control Framework by organising specific information activities. In 2018 the Agency organised a tailor-made session for a specific audience focusing on the implementation of the Internal Control Framework in practice.

In order to review and to demonstrate the effectiveness of the internal control system, the Agency continues to perform separate assessments to identify possible areas for further improvements. These reviews are based on the following sources of data:

1. an anonymous self-assessment highlighting respondents’ opinions on the effectiveness of the internal control system (iCAT survey),
2. feedback provided by the key business leads/business process owners,
3. follow up on the implementation of the priority actions identified in the Internal Control Improvement Action Plan,
4. registry of the exception and non-compliance events,
5. conclusions on the implementation of the anti-fraud strategy,
6. results of the risk assessments,
7. relevant audit recommendations,
8. the report on validation of local financial management systems, and
9. declarations of assurance by the Authorising Officers by sub-delegation.

The results of these activities are reported to management responsible for oversight of the development and performance of the internal control system. The assessment of the overall effectiveness of the Internal Control Framework was performed in line with the Implementation Guide for Internal Control Framework of the Commission.

The Agency has performed assessments on areas that were identified for improvement in 2018. These areas were identified through internal control assessments (iCAT) or from legal obligations such as the Data Protection Regulation 2018/1725 (please refer to section 2.2.2).

**Internal Control self-assessment (iCAT)**

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86 Agency’s management and/or their back-ups as well as the Internal Control Community members
In 2018 the Agency identified three key points of focus for improvement and targeted actions following the results of the internal control self-assessment, opinion survey of 2017\textsuperscript{87}.

As a result, several actions were put in place to further improve in these areas. In November 2018, the Agency finalised the whistleblowing procedure, which is subject to an information session in 2019. The Agency has put in place significant efforts in order to raise awareness and continue to build organisational resilience through business continuity measures. In this light, the Agency created an Internal Business Continuity Management Policy\textsuperscript{88} covering key features of its governance and organisation. The Agency organised its first information campaign on Business Continuity that coincided with the Global Business Continuity Awareness Week 2018\textsuperscript{89}. Throughout the week, the Agency took initiatives aiming to raise awareness and to build capacity to react quickly and effectively during potential business continuity disruptions. During the awareness week, the Agency promoted effective Business Continuity arrangements and made key documentation such as the internal policy and the Business Continuity Plan available to all staff. However, the recent iCAT results show that the Agency would further benefit from additional training and information activities.

The risk management exercise has been a subject to a bottom up approach in scanning the possible risks, complemented by a top-down review and endorsement of the main risks identified. The creation of an on-line collaborative tool was very useful in the process.

Given the nature of three reservations, the Agency considers that they don not have an impact on the overall assessment on the effectiveness of internal controls.

EASME has assessed its internal control system during the reporting year and has concluded that it is effective and that the components and principles are present and functioning as intended.

In addition, on a number of principles even though they are present and functioning overall, some improvements are needed as some minor deficiencies were identified\textsuperscript{90}.

\textsuperscript{87} Each iCAT nominee provides their self-assessment, or opinion, on the state of effectiveness of selected internal control characteristics. The areas prioritised for further improvements scored less than 70 % effectiveness based on the iCAT2017 survey.

\textsuperscript{88} ISO22301 is a management system standard for Business Continuity Management.

\textsuperscript{89} The global annual Business Continuity Awareness Week: from 14 to 18 May 2018.

\textsuperscript{90} Please refer to Annex 11.
2.1.4 Conclusions on the impact as regards assurance

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

The audit results, the internal control assessment and the control indicators do not reveal any significant weaknesses and do not fulfil any of the materiality criteria laid down in Annex 4 of this report with the exception of the ex-post controls of CIP Intelligent Energy Europe II (IEE II) and CIP Eco-Innovation programmes (legacy programmes) and the COSME programme. For the legacy programmes, given the results of the audits that took place until the end of 2018, the cumulative residual error rate was estimated at [2.57-2.62%] and [2.07-6.00%] respectively, above the materiality threshold of 2% expected for the multi-annual period. Therefore, in the context of the 2018 AAR, two reservations are maintained concerning the CIP IEE II and CIP Eco-Innovation (Eco-I) programmes (Budget line: 32.04 53 00 and 02.04 53 00 respectively).

For the COSME programme, the residual error rate is estimated at 5.45%, which is above the materiality threshold expected for the multi-annual period (budget line: 02. 02 01 00).

As regards the legacy programmes, since the introduction of the reservation in 2015 for CIP IEE II and in 2016 for CIP Eco-I, the Agency has implemented several remedial actions, both at ex ante and ex post levels, as follows:

h) analysis of the audits results in order to identify the root causes of errors, with the aim of tackling them in due time;

i) organisation of workshops with the operational and financial units of EASME, to share lessons learned from ex post controls, in order to prevent and detected errors earlier and enhancing ex ante controls;

j) organisation of a communication campaigns with beneficiaries to inform them about the most common sources of errors and tips on how to avoid them;

k) improvement of the ex-ante controls guidelines of CIP Eco-I;

l) reinforced monitoring, with visits on the site by the financial officer in order to detect and address any potential error at an early stage of the Eco-I projects;

m) increase of the ex post audit coverage, with the aim to maximise the cleaning effect and reduce the residual error rate at the end of the multi-annual ex-post audit strategy;

n) close monitoring of the implementation of audit results in order to reduce the residual error rate for the audited population.

Both programmes are at the final stages of implementation, with very few payments planned for 2019 on ECO-I and no payments expected on IEE II. Therefore, the Agency considers that the additional corrective actions in 2019 would not be cost-effective.

91 For more details on the minimum-maximum rates used, please see section 2.1.1.
As regards the COSME programme, in line with DG BUDG guidance, the Agency decided to issue a reservation, as the cumulative residual error rate at the year-end is above the materiality threshold of 2% expected for the multi-annual period. However, the amount at risk corresponds to 0.13% of the total budget execution in terms of payments in 2018 within the Agency. Therefore, its effect on the overall declaration of assurance is extremely limited.

Nevertheless, following these first audit results, the Agency decided to implement an action plan to detect and correct errors earlier in the lifecycle of the projects.

The following actions were implemented in 2018:

   d) Revision and improvement of the COSME financial guidelines, to prevent the most common findings identified during ex-post audits in future financial statements. The revised guidelines entered into force by the end of August.

   e) Sharing of the lessons learned from the execution of the ex-post controls with operational and financial teams of COSME, in order to prevent and detect errors earlier and enhance further its ex-ante controls.

   f) An increase of the ex-post audit coverage of the COSME programme, by launching a new audit campaign on both EEN and COSME actions in September.

This second audit campaign includes 20 value-based audits, covering 20 EEN beneficiaries; on COSME actions 12 audits were launched covering 12 beneficiaries, out of which 10 are value-based and two risk based audits.

The aim is a reduced residual error rate at the end of the multi-annual ex-post audit strategy. Those audits are still on going and there is a minimum 1-year gap between launching the audits and audit results becoming available.

The Agency will continue to address the issue during the course of 2019 aiming at a multi-annual error rate below 2% for the COSME programme at the end of the programming period.

Specifically, the following actions will take place:

   e) A communication campaign towards COSME beneficiaries with ongoing projects. The most common sources of errors and provision of useful tips in order to avoid them will be communicated through webinars.

   f) Improve and intensify the information provided to beneficiaries on financial obligations, audits and ex post controls, by inviting the financial officers of the coordinating beneficiaries to attend kick off meetings.

   g) Continuous monitoring by the operational and financial teams in order to detect at an early stage ‘critical’ actions, which will be subject to reinforced ex-ante checks.

   h) Financial officers will perform a number of ad-hoc missions on the premises of beneficiaries, identified as critical, in order to clarify potential questions related to financial reporting before its submission and execution of final payments.

However, the overall result in terms of (lower) error rates are not expected to be fully available for 2019 Annual Activity Report as the measures described above will take time to have an impact. The reason being that the mitigating measures were launched in October-November 2018. The desired effect of such mitigating
measures are expected to take place for the payments after this date, which could be audited at the earliest within the audit batches to be launched in 2019.

At the end of 2018 EASME had no critical or new outstanding audit recommendations, nor a combined effect of a number of very important recommendations. Audit recommendations due in 2017 were addressed within a reasonable time frame without significant delays.

The lessons learned from the indicators of ex-ante and ex-post controls together with the strengths and weaknesses highlighted in the audits conducted in 2018, lead to the conclusion that the Agency has reasonable assurance\(^{92}\) that its internal control system is adequately designed and that it works as intended.

**Overall Conclusion**

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance, albeit qualified by a reservation concerning the legacy programmes (CIP IIE II and CIP Eco-Innovation) and the COSME programme.

\(^{92}\) Even an effective internal control system, no matter how well designed and operated, has inherent limitations – including the possibility of the circumvention or overriding of controls – and therefore can provide only *reasonable assurance* to management regarding the achievement of the business objectives and not *absolute assurance*.
2.1.5 Declaration of Assurance [and reservations]
DECLARATION OF ASSURANCE

I, the undersigned,

Director of the Executive Agency for Small and Medium-sized Enterprises

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

Declare that the information contained in this report gives a true and fair view.93

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

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex-post controls, the work of the Internal Audit Service and the lessons learnt from the reports of the Court of Auditors - delete this if not applicable for years prior to the year of this declaration.

Confirm that I am not aware of anything not reported here which could harm the interests of the Executive Agency for Small and Medium-sized Enterprises or those of the Commission here. However, the following reservations should be noted:

- For payments in reimbursement of cost claims for the legacy programme of the Competitiveness and Innovation Framework Programme - Intelligent Energy Europe II (2007-2013) the ABB activity 32.04 53 00.
- For payments in reimbursement of cost claims for the Legacy programme of the Competitiveness and Innovation Framework Programme – ECO Innovation (2007-2013) the ABB activity 02.04 53 00.
- For payments in reimbursement of cost claims for the COSME Programme (2014-2020), ABB activity 02.02 01 00.

Brussels, on 28 March 2019

/ e-signed/

Julien Guerrier

93 True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG/Executive Agency.
### Reservation 1 (template to be adhered to)

<table>
<thead>
<tr>
<th>DG EASME</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Title of the reservation, including its scope</strong></td>
<td>Reservation concerning the rate of residual error within payments in reimbursements of cost claims in the CIP Intelligent Energy Europe II (IEE II) 2007-2013</td>
</tr>
<tr>
<td><strong>Domain</strong></td>
<td>Direct management mode - grants paid by EASME.</td>
</tr>
<tr>
<td><strong>Programme in which the reservation is made and total (annual) amount of this programme</strong></td>
<td>CIP IEE II programme (2007-2013): Budget line: 32.04 53 00 EUR 6,43 M of grant payments performed in 2018</td>
</tr>
<tr>
<td><strong>Reason for the reservation</strong></td>
<td>At the end of 2018, the multi-annual residual error rate is above the materiality threshold expected for the multi-annual period.</td>
</tr>
<tr>
<td><strong>Materiality criterion/criteria</strong></td>
<td>The materiality criterion is the residual error rate, i.e. the level of errors that remain undetected and uncorrected by the end of the management cycle. The control objective is to ensure that the residual error rate on the overall population is below 2% at the end of the programme management lifecycle. As long as the residual error rate is not below 2% at the end of the reporting year within the CIP IEE's II management lifecycle, a reservation would be made.</td>
</tr>
<tr>
<td><strong>Quantification of the impact (= actual exposure&quot;)</strong></td>
<td>The maximum impact is calculated by multiplying the residual error rate by the amount of CIP IEE II payments based on cost statements authorised in 2018 by EASME i.e. EUR 17,79 million (and clearings, pre-finanings deducted)(^{94}). Based on the results of the audits, it is estimated that the residual error rate is at ([2.57-2.62%])(^{95}). The estimated impact in 2018 ranges from EUR ([457,188.22-466,082.93]).</td>
</tr>
<tr>
<td><strong>Impact on the assurance</strong></td>
<td>Legality and regularity of the affected payments made against cost claims. Corrective actions have already been established and performed by EASME. The residual error rate of the CIP IEE II programme 2007-2013 is above the materiality threshold of 2% for the legality and regularity of the financial transactions, and leads to this reservation. The programme is now in its final stages of implementation: the total amount paid per year keeps decreasing and therefore so does its financial impact. Its effect on the overall declaration of assurance is immaterial, considering that the amount at risk corresponds to 0.037 % of the total budget execution in terms of payments in 2018 within the Agency(^{96}).</td>
</tr>
<tr>
<td><strong>Responsibility for the weakness</strong></td>
<td>The main reasons for errors are: - the complexity of the eligibility rules as laid down in the basic acts decided by the Legislative Authorities, based on the reimbursement of actual eligible costs declared by beneficiaries; - The fact that due to the high number of beneficiaries, ex-ante checks are performed on a sample basis for each cost statement. The different control provisions set out by the Agency, including an improvement of its ex ante financial guidelines and its communications</td>
</tr>
</tbody>
</table>

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\(^{94}\) Payments made in 2018, minus new pre-financing paid out, plus previous pre-financing cleared, including recovery orders.

\(^{95}\) Similarly to CIP Eco Innovation programme, we have decided to report in 2018 two residual error rates, to disclose the impact of the bankruptcy case identified in the value-targeted sampled audits. There was one case of bankruptcy in IEE II programme. In this case, the provision of the relevant supporting evidence was challenging due to lack of supporting documents, proper assistance not provided by the beneficiary because of staff reduction and accounting systems not accessible. The errors identified in this audit are considered exceptional and not fully representative of the population.

\(^{96}\) \(457,188.22/1,245,328,691.00= 0.037\%\) and \(466,082.93/1,245,328,691.00=0.037\%\)
towards beneficiaries, along with the audit certificates on financial statements and ex post audits have mitigated these risks to a certain extent. However, those checks cannot be carried out on the totality of the cost claims received for cost-effectiveness considerations.

## Responsibility for the corrective action

Since the introduction of the reservation in 2015, the Agency has implemented the following remedial actions, both at ex ante and ex post levels, namely:

a) Analysis of the audits results in order to identify the root causes of errors, with the aim of tackling them in due time;

b) Organisation of a workshop with the operational and financial units of EASME, to share lessons learned from ex post controls, in order to prevent and detect errors earlier and enhancing ex ante controls;

c) Organisation of a communication campaign to all CIP IEE II beneficiaries to inform them about the most common sources of errors and tips on how to avoid them;

d) Increase of the ex post audit coverage, with the aim to maximise the cleaning effect and reduce the residual error rate at the end of the multi-annual ex-post audit strategy;

e) Close monitoring of the implementation of audit results in order to reduce the residual error rate for the audited population.

As the programme phased-out and no additional payments are expected in 2019 on CIP IEE II and taking into account the amount at risk at closure, the Agency considers that taking additional corrective actions in 2019 is not cost-effective.

### Reservation 2

<table>
<thead>
<tr>
<th>DG</th>
<th>EASME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title of the reservation, including its scope</td>
<td>Reservation concerning the rate of residual error within payments in reimbursements of cost claims in the CIP Eco-Innovation programme 2007-2013</td>
</tr>
<tr>
<td>Domain</td>
<td>Direct management - grants paid by EASME.</td>
</tr>
<tr>
<td>Programme in which the reservation is made and total (annual) amount of this programme</td>
<td>CIP Eco-Innovation programme (2007-2013): Budget line: 02.04 53 00: EUR 4.69 M of grant payments performed in 2018</td>
</tr>
<tr>
<td>Reason for the reservation</td>
<td>At the end of 2018, the multi-annual residual error rate is not below the materiality threshold foreseen for the multi-annual period.</td>
</tr>
<tr>
<td>Materiality criterion/criteria</td>
<td>The materiality criterion is the residual error rate, i.e. the level of errors that remain undetected and uncorrected by the end of the management cycle. The control objective is to ensure that the residual error rate on the overall population is below 2% at the end of the programme management lifecycle. As long as the residual error rate is not below 2% at the end of the reporting year within the Eco-Innovation's management lifecycle, a reservation would be made.</td>
</tr>
<tr>
<td>Quantification of the impact (= actual exposure)</td>
<td>The maximum impact is calculated by multiplying the residual error rate by the amount of CIP Eco-Innovation payments based on cost statements authorised in 2018 by EASME i.e. EUR 14.57 million (and clearings, pre-financing deducted)(^97). Based on the results of the audits, it is estimated that the residual error rate is at [2.07-6.00%](^98).</td>
</tr>
</tbody>
</table>

\(^97\) payments made in 2018, minus new pre-financing paid out, plus previous pre-financing cleared, including recovery orders.
The estimated impact in 2018 ranges from EUR [301,534.40-874,012.77].

| Impact on the assurance | Legality and regularity of the affected payments made against cost claims. Corrective actions have already been established and performed by EASME. The residual error rate of CIP the Eco-Innovation programme 2007-2013 is above the materiality threshold of 2% for the legality and regularity of the financial transactions, and leads to this reservation. The programme is now in its final stages of implementation: the total amount paid per year keeps decreasing and therefore so does its financial impact. Its effect on the overall declaration of assurance is immaterial, considering that the amount at risk corresponds to a range of [0.02-0.07%] of the total budget execution in terms of payments in 2018 within the Agency.

| Responsibility for the weakness | The main reasons for errors are:
- the complexity of the eligibility rules as laid down in the basic acts decided by the Legislative Authorities, based on the reimbursement of actual eligible costs declared by beneficiaries;
- The fact that due to the high number of beneficiaries, ex-ante checks are performed on a sampling basis for each cost statement;
- the high risk profile of beneficiaries in CIP Eco-Innovation programme, i.e. "one-time beneficiaries" not used to EU funding rules, majority of SMEs, in some cases set up specifically for the implementation of the CIP Eco-Innovation funded project, beneficiaries which do not have robust internal controls in place.

| Responsibility for the corrective action | Since the introduction of the reservation in 2016, the Agency has implemented the following remedial actions, at ex-ante and ex-post levels, namely:
- Analysis of the audits results in order to identify the root causes of errors;
- Improvement of the ex-ante controls guidelines;
- Organisation of a workshop with the operational and financial units of EASME, to share lessons learned from ex post controls, in order to prevent and detected errors earlier and enhancing ex ante controls;
- Reinforced monitoring, with visits on the site by the financial officer in order to detect and address any potential error at an early stage of the project;
- Increase of the ex post audit coverage, with the aim to maximise the cleaning effect and reduce the residual error rate.

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98 Similarly to CIP Intelligent Energy Europe, we have decided to report in 2018 two residual error rates, to disclose the impact of the bankruptcy case identified in the value-targeted sampled audits in the CIP Eco-Innovation programme, within the value-based sampling, EASME faced on a multi-annual cumulative basis seven cases of beneficiaries that went bankrupt or under dissolution at the time of the audit. In these cases, the provision of the relevant supporting evidence was challenging due to lack of supporting documents, proper assistance not provided by the beneficiary because of staff reduction and accounting systems not accessible. The errors identified in this audit are considered exceptional and not fully representative of the population. For more details on the minimum and maximum error rate, please refer to section 2.1.1.

99 $\frac{301,534.40}{1,245,328,691}= 0.02\%$ and $\frac{874,012.77}{1,245,328,691}=0.07\%$. 
at the end of the multi-annual ex-post audit strategy;

g) Close monitoring of the implementation of audit results in order to reduce the residual error rate for the audited population.

The programme is now in its final stage of implementation: the total amount paid in 2019 will be further decreasing, with few payments expected and therefore their financial impact too. Therefore, no further actions are planned.

### Reservation 3

<table>
<thead>
<tr>
<th>DG</th>
<th>EASME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title of the reservation, including its scope</td>
<td>Reservation concerning the rate of residual error within payments in reimbursements of cost claims in the COSME programme 2014-2020</td>
</tr>
<tr>
<td>Domain</td>
<td>Direct management - grants paid by EASME.</td>
</tr>
<tr>
<td>Programme in which the reservation is made and total (annual) amount of this programme</td>
<td>COSME programme (2014-2020): Budget line: 02. 02 01 00 EUR 46,49 million of grant payments performed in 2018</td>
</tr>
<tr>
<td>Reason for the reservation</td>
<td>At the end of 2018, the multi-annual residual error rate is not below the materiality threshold expected for the multi-annual period.</td>
</tr>
</tbody>
</table>

#### Materiality criterion/criteria

The materiality criterion is the residual error rate, i.e. the level of errors that remain undetected and uncorrected by the end of the management cycle. The control objective is to ensure that the residual error rate on the overall population is below 2% at the end of the programme management lifecycle. As long as the residual error rate is not below 2% at the end of the reporting year within the COSME management lifecycle, a reservation would be made.

#### Quantification of the impact (= actual exposure)

The maximum impact is calculated by multiplying the residual error rate by the amount of COSME payments based on cost statements authorised in 2018 by EASME i.e. EUR 28.79 M (and clearings, pre-financing deducted)\(^{100}\). Based on the results of the audits, it is estimated that the residual error rate is at 5.45%. The estimated impact in 2018 is EUR 1,569,221.90 M.

#### Impact on the assurance

Legality and regularity of the affected payments made against cost claims. The residual error rate of COSME programme 2014-2020 is above the materiality threshold of 2% for the legality and regularity of the financial transactions and leads to this reservation.

However, this error rate must be treated with care, by taking into account the following elements:
- This residual error rate stems from the first COSME audit campaign, covering a limited number of audits, i.e. 12 beneficiaries covering 16 financial statements.
- This result mainly comes from three audits with error rates of respectively 17.36%, 18.04% and 26.35%, deriving from systematic errors. In two other audits, the error rate was slightly above 5%. In the remaining seven audits, we had a clean sheet, out of which four with positive adjustments in favour of the beneficiaries.

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\(^{100}\) Payments made in 2018, minus new pre-financing paid out, plus previous pre-financing cleared, including recovery orders.
This first audit campaign was taken at an early stage of the programme in order to provide an early indication of the error rate. The nature of expenditure audited in the first years of the programme may not be totally representative of the expenditure across the whole period of expenditure. Indeed, COSME programme is composed of Enterprise Europe Network actions (EEN) and other COSME actions. The latter represent a smaller part of the budget – indicatively one third – of the COSME programme. The first audit campaign does not include EEN actions, as at the time of the audit selection, no EEN payments actions took place. Therefore, these audit results only give an initial indication of the error rate of COSME programme as a whole. Its effect on the overall declaration of assurance is limited, considering that the amount at risk corresponds to 0.13% of the total budget execution in terms of payments in 2018 within the Agency\textsuperscript{101}.

The main reasons for errors are:
- the complexity of the eligibility rules as laid down in the basic acts decided by the Legislative Authorities, based on the reimbursement of actual eligible costs declared by beneficiaries;
- The risk profile of COSME actions beneficiaries, audited during this first audit campaign. There are in their majority small organisations, which do not have a robust financial management system in place neither previous experience with EU funding. This is different from EEN beneficiaries, who were also involved in the legacy EEN programme (2007-2013) and are well-structured and robust entities.
- the ex-ante controls within the COSME programme, similarly to Horizon 2020 ones, are a balance between a trust-based approach and the required extent of controls. Ex-ante controls did not sufficiently prevent, detect and correct erroneous payments.
- the fact that there are hundreds of beneficiaries making claims, and not all can be fully controlled

The different control provisions set out by the Agency, along with the audit certificates on financial statements and ex post audits can mitigate these risks to a certain extent but those cannot be carried out on the totality of the cost claimed received for cost–effectiveness reasons.

The lessons learned from these COSME audits could be used in the development of the next multi-annual framework of COSME programme.

In an effort to detect and correct errors earlier in the lifecycle of the projects, the Agency has promptly implemented the following remedial actions in 2018:
- Revise and improve the COSME financial guidelines, to prevent the most common findings identified during ex-post audits in future financial statements. The revised guidelines entered into force by the end of August 2018.
- Share the lessons learned from the execution of the ex-post controls with operational and financial teams of COSME, in order to prevent and detect errors earlier and enhance further its ex-ante controls.
- Increase the ex-post audit coverage of the COSME programme, by launching a new audit campaign on both EEN and COSME actions in September 2018. The aim is to reduce residual error rate at the end of the multi-annual ex-post audit strategy.

\textsuperscript{101} \frac{1,569,221.90}{1,245,328,691} = 0.13\%
The Agency will continue to address the issue during the course of 2019 aiming at a multi-annual error rate below 2% for the COSME programme at the end of the programming period. Specifically, the following actions will take place:

- A communication campaign towards COSME beneficiaries with ongoing projects. The most common sources of errors and provision of useful tips in order to avoid them will be communicated through webinars.
- Improve and intensify the information provided to beneficiaries on financial obligations, audits and ex post controls, by inviting the financial officers of the coordinating beneficiaries to attend kick off meetings.
- Continuous monitoring by the operational and financial teams in order to detect at an early stage ‘critical’ actions, which will be subject to reinforced ex-ante checks.
- Financial officers will perform a number of ad-hoc missions on the premises of beneficiaries, identified as ‘critical’, in order to clarify potential questions related to financial reporting before its submission and execution of final payment.

However, the overall result in terms of (lower) error rates are not expected to be fully available for 2019 AAR as the measures described above will take time to have an impact. The reasons being that:

a) the mitigating measures were launched in II half of 2018. The desired effect of such mitigating measures are expected to take place for the payments after this date, which could be audited at the earliest as of audits launched in 2019.

b) there are audits contracted in September 2018 which are still ongoing and there is a minimum 1-year gap between closing projects and audit results becoming available.


2.2 Other organisational management dimensions

The Agency is continuously trying to improve its functions with a view of investing its resources in the most economical and efficient manner.

In 2018 two following initiatives were launched:

1) Introduction of eGrants for the management of grants under the European Maritime and Fisheries Fund

Following the gap analysis undertaken in collaboration with DG RTD and DIGIT in Q3/Q4 2017, the gap analysis report was approved in March 2018, officially on-boarding the EMFF programme to the eGrants IT tools suite. The Agency's EMFF Unit continued with eGrants rollout preparations in Q2 and Q3 of 2018 ahead of launching its first call for proposals "Blue Economy call" with a budget of EUR 18.7 million through eGrants. The call was successfully published in October via the Funding & Tenders Opportunities Portal. The eGrants main building blocks have been rolled out in 2018. The tool allows the Agency to work more efficiently by introducing eSubmission for applicants, EMI for the selection and management of independent external experts, on line evaluation of applications as well as on line preparation and management of grant agreements, payments and reports.

In 2019 the eGrants rollout phase will continue for the online preparation and management of grant agreements, payments and reports. Further EMFF calls for proposals (from the 2019 EMFF Work Programme) will also be launched through the eGrants IT tools.

2) Gradual introduction of collaborative tools to improve the efficiency of communication and avoid large number of emails

Under the “share@EASME” project, the IT and Logistics team further improved the collaborative IT Tools available and provided a dedicated support with more training sessions, workshops and coaching of users. The EASME Sharing group (bottom up initiative) hired a "flying doctor" helping staff to work in a more collaborative way. In addition, knowledge sharing breakfasts were organised where staff can share their ideas, know-how and get to know each other. The result is an increase of sharing information via Wiki and co-drafting documents via SharePoint, and the start of new practices in EASME, such as thematic groups across programmes.
2.2.1 Human resource management

Staffing overview

In accordance with the EASME’s establishment plan and budget, 467 posts were allocated to the Agency in 2018. On 31 December, EASME employed 453 staff, thus achieving 97% of its staffing plan (the same level as in 2017). In 2018 EASME grew by 4.38% in comparison to 2017.

Graph 8: Staff overview in the years 2017 and 2018

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

At the end of 2018 were five contract agent posts and nine temporary agent posts (incl. three seconded officials) vacant. One of the seconded posts was to be filled on 1 January 2019. Two others were subject to ongoing recruitment procedures at the end of 2018. For the six remaining temporary agents posts, selection procedures were ongoing with an expected arrival of selected candidates in early 2019.

Structural understaffing for the LIFE programme continued to be a challenge in 2018 as in previous years. EASME used the “flexibility mechanism” to redeploy resources to the LIFE Unit. In addition to the continued reduction in internal horizontal resources related to the LIFE programme and the CIP Eco-innovation programme, EASME redeployed three posts foreseen for H2020 Energy and five posts foreseen for H2020 Climate. The purpose of this action was to keep the number of staff working within LIFE programme stable compared to 2017. EASME also reallocated its resources within the central finance unit in accordance with the workload changes.

As shown on the chart below, EASME hired 48 newcomers (Temporary and Contractual Agents). Additionally, 28 colleagues who were already working in EASME were offered new contracts as TA or CA in a higher function group. Concerning internal mobility, 33 agents moved to a different sector and 26 agents moved to a different unit. This represented 13.3% of the total number of staff throughout the year.

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102 The line represents the filling rate of the staff by category
103 As agreed in the 16th Steering Committee meeting (in December 2017)
The turnover rate in 2018 was 5.41% (24 staff members) which represented a decrease in comparison to a 6.58% turnover rate in 2017. This shows that the Agency strengthened its capacity to retain its staff. Most staff departures were due to employment opportunities within different European institutions.

EASME launched a total of 67 selection procedures for various profiles. Thirteen were external procedures to establish reserve lists, (six were for temporary agent posts and seven were for contract agent posts), one procedure was launched in the framework of the inter-agency mobility. In total, the HR team screened more than 1,750 CVs, organised and conducted over 300 interviews and written tests for 100 candidates. The average time to recruit was 2.6 months.

Modernisation of HR Services

In order to provide EASME’s staff and management with excellent HR services that meet their needs and the needs of the organisation, the HR sector put in place the HR Business partnering role. The HR Sector was reorganised in February and is now composed of three sub-teams: People Services, People Development and Business Partnering. The focus of HR work thus is shifting from transactional to a business partnering role and enabler of a people oriented HR strategy that was adopted in July 2018.

In addition, the Staff Engagement and Business Transformation team (SEBT) or “EASME Together” team was created early 2018. Its role is to support the Agency in becoming a highly modern and attractive workplace. The team is closely working together with the horizontal services (HR, Communication, IT, Logistics, Legal and Financial teams) in the areas of:

- **Staff Engagement**: by creating space for a high degree of staff voice, fostering an environment that values and supports staff engagement and facilitating bottom-up initiatives (e.g. Sounding Board, Future of Europe and other working groups that may be formed or other events/happenings that may be organised);

- **Business Transformation**: by conducting strategic audits and bringing state-of-the-art models, recommending innovative solutions and developing partnerships at all levels within and outside the Agency (incl. parent DGs,
central services of the Commission, other EU Institutions and Agencies, other public administrations and businesses in the private sector);

- **Social Dialogue**: by maintaining constructive relations with the Staff Committee and the Trade Unions, consulting them and organising periodic meetings to maximise the communication flow and hence securing a fruitful and trustful collaboration.

### Implementation of 2018 actions

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

| Indicator 1: Percentage of staff who feel that the Agency cares about their well-being |
|----------------------------------|---------------------------------|
| **Source of data:** Commission staff survey |
| **Target (2018)** | **Result: 72%** |

| Indicator 2: Staff engagement index |
|----------------------------------|---------------------------------|
| **Source of data:** Commission staff survey |
| **Target (2018)** | **Result: 71%** |

| Indicator 3: Percentage of posts filled by the end of 2018 |
|----------------------------------|---------------------------------|
| **Source of data:** EASME/C2 |
| **Target (2018)** | **Result: 97% (the same level as in 2017)** |
| For the remaining posts procedures were ongoing at the end of 2018 with an expected arrival of the selected candidates for early 2019. |

| Indicator 4: Average time to recruit (excluding seconded officials) |
|----------------------------------|---------------------------------|
| **Source of data:** EASME/C2 |
| **Target (2018)** | **Result: 2,6 months** |

EASME’s main HR priority areas for 2018 were: (A) **Staff Participation**; (B) **Staff and leadership development** and (C) **Work environment**.

#### A. Staff participation

In 2017 the Agency set up the Sounding Board. This initiative gives staff the opportunity to work on topics that they care about and propose concrete actions for improvement within the Agency. More than 100 colleagues participated in the kick-off meeting and created 11 groups.

The "EASME Together" team facilitates the implementation of these bottom up initiatives. Although the Sounding Board initiative is still in a growing phase, the Agency is proud to report that 80 colleagues are actively contributing to the Sounding Board.

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

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

106 Of which some were merged, resulting in nine active working groups.
EASME organises visits to innovative and modern workplaces and invites speakers to share with staff their findings, innovative ideas and experience. For instance, EASME staff visited companies such as AXA, Deloitte, SAS Institute and had the pleasure to welcome inspirational speakers from successful organisations, leading in staff engagement and innovative solutions such as Vincit and Cofidis.

EASME organised a joint meeting together with the representatives from the Trade Unions and the EC Central Staff Committee and Local Staff Committee, which was positively welcomed and serves as a contribution to an ongoing and sound dialogue.

EASME also invited all staff contributing to the bottom-up initiatives to a recognition event in order to acknowledge the hard work and dedication of the working groups107, for example:

<table>
<thead>
<tr>
<th>WORKING GROUP</th>
<th>IMPLEMENTED ACTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equal Opportunities &amp; Diversity</td>
<td>Pilot training &quot;Unconscious bias&quot; on 18/04/18 in collaboration with HR. Signature Event - EASME Charter on Inclusion &amp; Diversity on 5/12/18 to mark the International Day of Disabled persons.</td>
</tr>
<tr>
<td>Career Progress</td>
<td>Reflection on Mobility scheme between Agencies and DG’s under discussion at inter-Agency and Commission level. More transparent and concrete feedback on unsuccessful applications.</td>
</tr>
<tr>
<td>Greening EASME</td>
<td>Launched a call and composed a list of Green Ambassadors in EASME. EASME Green Policy including green procurement. GREEN Strategy and Action plan for 2019 under revision</td>
</tr>
<tr>
<td>EASME Academy Lab</td>
<td>Call for expression of interest launched on 25/04/18 in collaboration with HR to give value to talent of staff and encourage staff to share knowledge by presenting success stories in a series of lunchtime seminars dedicated to showcase interesting, ambitious and promising projects implemented via different EU funding programmes.</td>
</tr>
<tr>
<td>EASME Story</td>
<td>The values of the Agency have been brought to life with photos of staff members and quotes they stand for.</td>
</tr>
<tr>
<td>Knowledge sharing</td>
<td>In-house training available for all staff on the use of social collaborative tools in collaboration with HR. Knowledge sharing breakfasts each Monday of the month to share ideas, know-how and get to know each other.</td>
</tr>
<tr>
<td>Bringing decisions to a lower level- Simplification</td>
<td>Streamlining of the mission process giving more ownership to units. Simplification of the workflow as regard to the administrative budget delegating authorisation to lower levels. Full re-design and simplification of the Presto process giving more ownership to units.</td>
</tr>
</tbody>
</table>

107 The full list of actions is in the annex 2, SEBT activities in 2018
Smart Commuting & Cycling Group
- Organisation of Car Free Day: EASME event on 07/06/18.
- VeloMai Campaign.
- In December 18, EASME obtained the bronze Cycle-friendly employer certificate as first company in Belgium!

Future of Europe Group
- The group has drafted a report sharing its ideas on how to promote Europe and how the Agency intends to contribute. The report was presented to Commissioner Bieńkowska during her visit to the Agency in March.
- EASME Listens
  An outreach campaign aimed at mobilising EASME staff to get direct and high quality feedback from beneficiaries and stakeholders, with the ambition of better understanding these key drivers of growth and jobs and providing funding well suited to their needs.
- 26 EASME Ambassadors are trained on active listening and communication skills, 1st coordination meeting in January to kick-off the pilot

<table>
<thead>
<tr>
<th>Table 24: Initiatives and actions of working groups.</th>
</tr>
</thead>
</table>

**B. Staff and Leadership Development activities**

In July the Agency adopted its new HR Strategy where staff development and leadership are two key pillars.

The concept of EASME Academy was developed with the objective of creating a continuous learning culture, where people can learn new skills, perform at their best in their jobs, and develop the ability to adapt to new requirements and continuous organisational change. In particular, a joint job-shadowing exercise with DG GROW, EACEA and REA provided opportunities for staff learning, development and mobility. Within EASME, 86 colleagues (19.4% as compared to 5% in 2017) participated in the exercise.

In June the “Recruitment” task force was created to reflect on the EASME recruitment strategy. The task force prepared seven concept papers on the seven key areas that were presented to the management. At the beginning of 2019 the task force will work on the final version of the recruitment strategy, recruitment manual and procedures. In addition, in the first half of the year the management adopted the competency framework for deployment 2018-2019. A dedicated working group “Competency Framework” will work in 2019 on performance management, learning and development as well as employer branding.

The Agency organised various training courses aimed at developing its people skills in handling stress at work, to increase efficiency and develop participative methodologies that reveals the collective intelligence and enhance the continuous learning process (Non-Violent Communication, How to draft reports, Personal Efficiency Training modules, Interviewing skills, continuous improvement, participatory leadership).

In the framework of the Managerial Excellence programme, the HR Sector initiated the EASME Management Charter and Action Plan, which embody the values of trust, transparency and support. 70% of managers participated in peer-to-peer learning events and management workshops.
The Agency also provides Career Guidance Service to staff. Besides individual career guidance sessions, specific workshops and presentations on career development related topics are delivered in-house and at events such as the career day organised by the European Commission.

C. Work Environment

The Agency promotes a healthy work-life balance and encourages flexible working arrangements.

The flexibility of working arrangements received a strong support from management and staff in 2018: 30% of staff in EASME used structural teleworking (15% in 2017). In order to cultivate staff well-being within the workplace, the HR sector organised a number of events and trainings aiming at promoting resilience and creating a healthy work environment with specific focus on anti-burnout actions.

To reiterate EASME's commitment to be a frontrunner for diversity and inclusion at work, the Director signed the Charter on Diversity and Inclusion in December 2018. In this context, an EASME Women Empowerment Programme and Action Plan were developed with the aim of creating an organisational women empowerment culture and providing individual support to women's professional and personal growth.

EASME has introduced a number of simplification measures. For example, the Agency re-designed and simplified the Presto process (among others: removing overlapping controls and workflows; giving more ownership to units, authorisation at lower levels), simplified the approval flow for interim and external training requests as well as in cooperation with EASME greening group, introduced the paperless policy to reduce further paper signatories and documents.
2.2.2 Better regulation (only for DGs managing regulatory acquis)

n.a.

2.2.3 Information management aspects

The Agency has a central IT team taking care of project support and governance, part of infrastructure and developments; it delegates to the operational units the management of their specific IT activities, mainly concerning the EIC Pilot, Enterprise Europe Network and LIFE (since end 2018).

Since mid-2018, the model of governance was adapted to have the decisions of the “IT Management Board” taken via a written procedure by default (faster and simpler) and have quarterly workshops with IT stakeholders of EASME (business and technical) to exchange on topics and projects.

Together, the IT teams (central and in units) supported a number of IT projects and activities:

- The EIC Pilot: finalise the “MatchInvest” module; deploy the first version of the Community module, adapted from DEVCO system “Capacity4Dev”;
- Enterprise Europe Network: continue the preparation to the system redesign with number of design workshops; reorganise resources in the IT team;
- LIFE: take over the IT Tools for grant management from DG ENV and DG CLIMA, with a full control reached by end 2018.

Under the “share@EASME” project, the central IT team further improved the collaborative IT Tools available and provided a dedicated support with more training sessions, workshops and coaching of users. The result is an increase of sharing information via Wiki and co-drafting documents via SharePoint, and the start of new practices in EASME, such as thematic groups across programmes.

The IT team continued to align with the corporate governance, in particular with a listing of web sites and a proper declaration in GovIS.

The IT team delivered an improved office environment in 2018 with more laptops and the migration of fixed phones to a software-based solution also allowing chat and video conference (the system, provided by DG DIGIT, is called Unified Communication Collaboration “UCC”).

Data protection

The data protection theme has received high visibility in 2018 because of the application of the new General Data Protection Regulation (GDPR) as of 25 May 2018, whereas the legal framework applicable for the Agency on data protection is Regulation (EU) 2018/1725 (in force since 11 December 2018). EASME had elaborated an action plan to ensure highest possible compliance with the new data protection rules, completed by suggestions from Commission's Data Protection Action Plan of 7 November 2018. In addition, the Agency has put in
place significant efforts throughout the whole year to raise awareness and to ensure the highest possible preparedness of management and staff for the new data protection rules. In particular, in the second half of 2018 a risk assessment exercise was launched on IT platform that enabled EASME staff to work at the document simultaneously. The Agency has identified some online services and service contracts that may require further analysis to ensure their compliance with the relevant data protection rules. The management was regularly informed by the Data Protection Officer on the different actions taken to implement the data protection action plan.

The following major steps were taken so far to ensure compliance with the new data protection rules, including for example:

- Establishment of a complete inventory of all data processing operations in the Agency (updated bi-annually);
- Assessment of compliance with general principles (Art. 4 Reg. 2018/1725), in particular as regards lawfulness, data minimisation and storage limitation, included in the template for Records to be established for ongoing or new processes;
- Appropriate information provided to the data subjects concerned through concise and intelligible privacy statements; updates are ongoing, new templates are available;
- Establishment, where necessary, of internal rules governing the restrictions of data subjects rights. Based on an opinion of the Legal Service of the Commission, the Agency does not have a sufficient mandate to adopt internal rules to restrict data subjects rights on its own, and to publish them in the OJ, therefore the Agency depends entirely on the inclusion in internal rules adopted by the Commission with regard to HR procedures. The restriction of data subjects were put in place for OLAF procedures.
- Update of internal procedures and implementing rules.

### 2.2.4 Communication activities

#### External Communication

The Agency’s specific communication objectives are:

- to promote its programmes and its objectives to potential applicants and stakeholders through (a) events, (b) social media channels and (c) tools;
- to ensure a link between its external communication activities and internal staff engagement to ensure excellence and service orientation.

#### Promoting programmes managed by EASME

In 2018, the Agency reached out to its stakeholders and key target audiences to promote the programmes managed by EASME on behalf of its parent DGs. The focus was on raising awareness of our funding opportunities to potential applicants and promoting funded projects and their successes, which all

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support parent DGs in their policy objectives. The work plan was fully implemented while tasks were added throughout the course of the year.

**COSME Programme**

The Enterprise Europe Network Annual Conference 2018 is reported in part I of the document.

In addition, the Agency organised a high-level conference to launch the European Defence Skills Partnership in June. This project aims to complete the evidence base on skills, to introduce an informal industry-led European Defence Skills Partnership (EDSP) and deliver a sectoral skills strategy, agreed and validated by stakeholders.

In June EASME organised the first COSME Info Day. This one-day pilot event aimed to encourage potential applicants to take part in the programme. The agenda featured concrete examples of funded projects and testimonials from beneficiaries, as well as insights by evaluators and EU experts.

The kick-off meeting of the new European Cluster Partnerships (ESCP), organised by EASME and with the participation of DG GROW, gathered the European Strategic Cluster Partnerships for Smart Specialisation investments (9 new projects) and Clusters Go International in the defence and security sector (2 new projects).

The European Strategic Cluster Partnerships event brought together about 100 representatives from the 52 old and new European Cluster Partnerships. It gathered the European Strategic Cluster Partnerships for Go International (25 on-going projects and 4 closed ESCP-4i), for Smart Specialisation investments (9 projects ESCP-S3) and for cluster Excellence (5 projects Cluster Excellence) - all partnerships formed and funded under the COSME programme (different calls).

This event allowed exchanges of experiences among clusters, gathering of good practices to support cluster members and, in particular, SMEs.

**THE EIC Pilot**

The European Innovation Council (EIC) pilot was further promoted through social media, targeted audiovisual material and during the second Innovators’ Summit that took place in Berlin in September 2018.

The main highlight of 2018 was the EIC Innovators Summit (see the video) 10-11 September in Berlin. Under the motto "Innovation Kitchen Europe" this EIC networking event gathered some 868 participants, amongst whom were 482 SMEs from the EIC pilot programmes, 142 investors and 39 corporate representatives. In total, the summit offered 30 peer learning workshops, an interactive showcase area and ten pitching sessions next to selected keynote speeches, video contest and live streaming. Overall, 443 B2B meetings took place and over 90% of all participants were very satisfied with the event.

At the EIC Innovators Summit the Agency also officially launched the start of the EIC business community, a virtual meeting-place in the form of an online platform. Its purpose is to further boost connections and foster communication
among the EIC community by creating a shared knowledge base where SMEs can connect and leverage potential businesses partnerships. The platform also serves as the connecting place to learn about the offered EIC Business Acceleration Services and to get access to the automated investor-matching tool 'ScaleUp EU' to facilitate financial deal creation. Overall, the different platform modules will allow the Agency to better tailor future services to the SMEs needs.

Members of the platform are all EIC-funded companies (Fast Track to Innovation, FET Open, SME Instrument, Horizon Prizes) and the EIC extended community (POs, Coaches, KAMs, EC) as well as selected business and finance partners (for the matching tool).

**EIC Corporate Days**

EIC Corporate Days are a real flagship of the Business Acceleration Services. They are matchmaking events organized in the premises of big companies or their innovation hubs. The added value lays in the fact that SMEs can present their innovations to the main decision-makers (e.g. Head of Technology, Head of Innovation or CVC) of the Corporates and start business partnerships with them – a service that no other national or regional programme can offer. On the other side Corporates get the opportunity to access and select their preferred companies from a quality stamped portfolio of over 4000 innovative companies from all around Europe. For them, it is a great efficiency gain in scouting efforts in search for new innovation partnerships, for the SMEs a ‘door-opener’ to the corporate world and potential strong and well-established clients or customers.

Along 2018, 14 EIC Corporate Days were organised where more than 300 preselected SMEs were invited to network and pitch their innovations to top managers of large, European companies such as: Airbus, Iberdrola, BMW, Procter&Gamble, Roche, Enel, Vinci, Solvay, Electrolux, Suez, Sonae, Ferrovial, Medtronic and Veolia (watch a video). These events have initiated hundreds of significant business contacts, an unpaired learning experience and dozens of follow up collaborations.

According to the feedback survey from the first six events, 38 companies are now exploring business opportunities with the corporate involved. This means that over 20% of participating SMEs had a follow-up discussion with respective corporate partners after the event. SMEs and Corporates highlighted the remarkable added value of these events due to the focused approach and the pre-arranged share of information leading to a considerable time-saving compared to other events they usually attend.

**H2020/ Energy Efficiency programme**

EASME co-organised with DG ENER the 13th EU Sustainable Energy Week (EUSEW). Besides being in charge of the operational organisation, the Agency contributed to the selection of meetings at the policy conference as well as to the
EU Sustainable Energy Awards. The Agency itself also organised three policy sessions. The Director of EASME gave an opening speech at the ManagEnergy Talk hosted by ManagEnergy, an initiative funded by EASME to help regions and cities across Europe. A conference session on deep energy renovation was jointly organised by EASME's energy, environment and resources and LIFE Programme teams, showcasing the projects Transition Zero, Energies POSIT’IF, BE REEL! and INNOPATHS. Finally EASME co-organised a session together with DG Energy on energy efficiency in industry. EUSEW was also used to disseminate results of projects. In total, more than 20 EU-funded projects managed by EASME, including 16 H2020 Energy Efficiency and two IEE projects, were featured in sessions, at stands, or presented their activities and outcomes at the EUSEW18 Policy Conference and Networking Village.

In December 2018, in the frame of COP 24, DG ENER organised a European Union Energy Day to discuss the role that the European Union can play in the global clean energy transformation and to highlight successful examples. The EASME Director gave a speech during the first thematic session “Renewables, decentralisation and democracy: transforming energy systems”. He highlighted the contribution of programmes managed by EASME that contribute to the establishment of renewable energy cooperatives, which are helping citizens to become prosumers (producing energy and consuming the energy produced). In addition, Agency’s projects contribute to the development of innovative financing schemes, but also of innovative renewable energy systems that could help decentralising the energy system. These projects illustrated very well how EU investment from EASME was able to trigger substantial impacts on the ground.

The Agency made an effort this year to reinforce its monitoring of energy efficiency projects’ impact and to maximise this impact through the replication of successful activities. In February 2018 for example, together with DG ENER and DG CLIMA, EASME organised the ‘Covenant of Mayors Investment Forum - Energy Efficiency Finance Market Place’. This event gathered over 400 representatives from local authorities, industry and financial institutions to share experiences and best practices in developing projects on financing climate adaptation, clean urban mobility concepts, energy efficiency in public assets and home renovation. In parallel sessions, a total of 25 front-runner projects and initiatives were showcased to inspire their peers to replicate such solutions in their own cities and regions. Most of those projects were co-financed by EASME’s programmes (Intelligent Energy Europe, Horizon 2020 and LIFE.

**H2020/ Climate action, environment, resource efficiency and raw materials**

EASME was the main organiser of the following stakeholder events that aimed to explore synergies between H2020 projects, exchange good practices among beneficiaries, increase impact of projects and/or provide input to EU policy making:

- The cluster event on ‘Public acceptance and trust’ took place in Brussels on 5 June 2018 with about 60 participants focusing on the activities undertaken by almost 30 Horizon 2020 mining and processing projects in order to gain acceptance and trust from the public. Apart from the beneficiaries, key stakeholders from the European Commission, the EIT Raw Materials and other relevant organisations such as for instance the Industrial Minerals Association Europe participated.
- The ‘Investor Café’ held on 12 June in Brussels was dedicated to exploitation, investment and market uptake of eco-innovative solutions in the water and circular economy sector. The event brought together more
than 100 Horizon 2020 beneficiaries and investors, and featured business pitching, match-making and networking sessions. The event also showed how different EU funding programmes and services can effectively support innovators. EASME collaborated with the EIT Climate KIC and the EIT Raw Materials, who provided two awards for the best pitching companies.

- The ‘EuroGEOSS Workshop’ was held from 12-14 September in Geneva and gathered about 200 European stakeholders interested in contributing to the Global Earth Observation System of Systems GEOSS who were welcomed by the EASME’s Director. The event is organised annually as a forum to exchange ideas and inform participants about work and initiatives undertaken in the context of GEOSS. Upon request of DG RTD, EASME took charge of all organisational, financial and communication aspects related to the preparation, implementation and follow-up of the event.

- The ‘Fair of European Innovators on Cultural Heritage’ held on 15 and 16 November in Brussels attracted about 400 participants and encompassed two sessions organised by EASME. The ‘High-Level session on Circular business and financial models for cultural heritage adaptive reuse in cities’ proved policy feedback to the ‘Heritage in Transition’ initiative launched by DG EAC, while the ‘ROCK breakfast workshop’, discussed the white paper contributing to the EU Urban Partnership on Culture and Cultural Heritage.

- The ‘Policy and Cluster workshop on the Water-Energy-Food-Climate nexus’ held on 27 November with about 60 H2020 beneficiaries and EU policy makers working in this domain, explored how water, land and energy resources are inter-connected with climate, and how EU policy development can take into account their complex relationship.

In 2018, the Agency co-organised many events in order to facilitate networking between projects and/or increase their impact. Illustrative examples of such events are the following:

- The Arctic Cluster met on 17 April 2018 in Brussels in an event with an active role of EASME staff that marked the first anniversary of the cluster of EU-funded projects that is providing guidance and policy-relevant information and support in order to advance international cooperation in the Arctic.

- The networking workshop ‘Industrial impact’ held on 19 April 2018 in Brussels gathered representatives of EU-funded projects that address the valorisation of domestic European raw materials resources. The event was organised by the H2020 project FAME, DG GROW and EASME.

- In November 2018, EASME organised the Information Days for the Horizon 2020 Societal Challenge 5 Calls 2019 bringing together 481 participants and more than 30 speakers from the Agency and the Commission services.

- The Agency participated with a stand in the final meeting of the Pilot Project "Boosting the circular economy among SMEs", organised by DG Environment on 6-7 December 2018. During the morning session, representatives of EASME presented the different relevant funding programmes of EASME, i.e. Horizon 2020 SC5, LIFE, and EIC-pilot/SME instrument.

- The Green week side-event ‘Involving citizens in air quality monitoring through Citizen Science initiatives’ in May was the result of a collaboration between EASME and the two H2020 projects iSCAPE and Ground Truth 2.0. The event brought together European and regional projects working in the field of Citizen Science and air quality monitoring, focusing on citizen’s engagement, awareness raising, opportunities and limitations of low-cost
sensors and the contribution of citizen science data to air quality monitoring and management.

- The workshop ‘Smart water services: Bridging the digital and the physical world’ held on 13 June was the result of a collaboration of EASME, DG CNECT and the European Water Technology Platform (WssTP) and taking place in the context of the Water Innovation Europe event in Brussels. The workshop hosted a public discussion on the recently published ICT4Water Digital Single Market for Water Services Action Plan.

- The 2nd World Circular Economy Forum (WCEF) that took place from 22-24 October in Yokohama, Japan benefitted from the strong involvement of EASME. The session ‘Showcasing circular business solutions’, organised by Sitra, DG ENV and EASME allowed six EU-funded projects to pitch their solutions and meet with clients after a welcome speech by EASME’s Director J. Guerrier. The side-event ‘EU going global: new services for the circular economy’ launched ten new Horizon 2020 projects addressing circular economy business models and water.

- The ‘EU-Africa cooperation in Earth Observation’ side-event during the GEO Plenary in Kyoto, Japan, organised by EASME on 29 October, gathered 25 participants, many from African countries, who engaged in constructive discussions and helped identify important links with other ongoing initiatives.

- The European Week of Regions and Cities session ‘Who owns “the right to the city”? – Inclusive urban generation’ took place on 9 October in Brussels and was organised by EASME with H2020 projects ROCK and CLIC. The session engaged representatives of cities, networks of local authorities together with academics and practitioners.

- The ‘Cultural and creative cities for all’ knowledge exchange platform workshop was held on 11 October in Brussels as a collaboration of EASME, DG RTD and H2020 projects CLIC and RURITAGE. The event highlighted the importance of inclusive cultural activities for wellbeing, health, social cohesion, competitiveness and of decreasing public expenditure and showcased innovative solutions to empower people with special needs, minorities, the young and the elderly to fully access heritage sites and join creative activities.

- EASME represented the ICT4water cluster by participating in the ICT 2018 fair held from 4-6 December in Vienna and organised one exhibition area and two sessions related to ‘Smart water services’ allowing representatives of eight H2020 projects to showcase their results.

- The COP 24 side-event organised by EASME on 6 December in Krakow with an active role of the Agency’s director, demonstrated how five projects funded under different programmes managed by EASME contribute to achieving the Paris Agreement goals in different sectors and on different geographical scales.

**European Maritime and Fisheries Fund**

In 2018 the EMFF team participated in events that focused on synergies across programmes. During the BLueInvest conference in May for example, EASME organised pitching sessions with projects of the EIC SME Instrument in maritime areas.

The data hub sharing information about the programmes beneficiaries and
projects covers nine programmes and initiatives. In 2018, the Maritime datahub was added.

In terms of events, EASME presented the EMFF programme at the first DG MARE #BlueInvest event (250 participants) on 17 May, where the EASME stand was the focal point of the EU corner. It was also represented in the #BlueInvestAtlantic in October and created synergies with the EEN programme through the organisation of a matchmaking event at the occasion of the 5th Atlantic stakeholder platform conference.

EASME presented the scientific advice studies it implemented at an RTD workshop for H2020 beneficiaries and at a REA coordination event. On 24 April, the Agency also presented the results of the scientific advice studies to a wider public at the Seafood Expo in Brussels, the world’s largest seafood trade fair.

This year, the Information Day on the launch of the call for proposal "Blue Economy call" was managed by DG MARE with the support of the Agency. It introduced a success stories session with formerly funded projects.

**LIFE programme**

As every year, EASME organised the European Info Day. The event took place on 4 May 2018 in the Charlemagne building and 400 participants from Europe attended to the plenary meeting in the morning and had the opportunity to meet the Project Advisors in the afternoon.

A brochure on NGOs receiving an operating grant from LIFE was published on their contribution to the Climate change policy agenda towards and after the COP 21.

On 24 May 2018, during the Green Week, EASME organised the “**LIFE Awards**”: Out of 62 finalists, Commissioner Karmenu Vella congratulated the nine projects that were awarded the title “Best LIFE project”. The winners include environment projects from Italy, Spain and Poland, nature projects from Belgium, Greece, and Slovakia, and climate action projects from Spain (two projects) and Austria. Winning projects were chosen for their contribution to environmental, economic and social improvements, paying special attention to their innovation, replicability, relevance to policy and cost effectiveness.

The EASME side-event at COP24 on 6 December focused on "Increasing ambition in the low-carbon transition: challenges and implications of the 1.5 and 2 degree targets". This event was co-organised with CRESCEPDO, COP21RIPPLES, TRANSRISK, WZROST and PUBLENEF projects.

Representing the European Commission, the Agency co-organised a number of events where the majority of the programmes managed by EASME were represented. For example, already mentioned above: EUSEW, COP24. In addition, EASME coordinated an EU stand at Ecomondo. This is the leading Euro-Mediterranean area green and circular economy expo. It is an international event with an innovative format that brings together all sectors of the circular economy in a single platform, from material and energy recovery to sustainable development. There were more than 120,000 participants and 1,240 companies. The Agency invited 40 project beneficiaries to be part of the stand and inform participants about their projects and how others can benefit from EU programme funding. Two COSME funded projects ecoBirdy and Buzzi&Buzzi illustrated how EU funding supports circular economy. Nine H2020 Energy projects: Pro-GET-One, 4RinEU, P2Endure, Fit-to-NZEB, TASIIO, ENERWATER,
EE-METAL, SIMPLA and INNOVATE were showcased. H2020 projects contributed also to one of the side-events ‘3rd European Nutrient event: Towards Circular Economy of Phosphorus and Other Nutrients’. Additionally, EASME held the event “Financing Green and Circular Economy Businesses: opportunities under the EU LIFE Programme”. This event focused on the role of the LIFE programme and its funding opportunities. In particular, this session presented how the LIFE Programme supports business and grassroots initiatives on Circular Economy and environmental solutions with a close-to-market perspective. About 100 participants attended this event.

Through matchmaking opportunities, participants met EASME representatives to learn more about the programmes managed by EASME.

Social media

Social media remained a main channel to inform and connect with stakeholders across Europe. Detailed figures about the impact achieved are listed in Annex 2 (Communication activities).

EASME also developed its new website on EUROPA, aligning it with the new look and feel. As a result, information about the programmes managed by the Agency as well information about EASME are now easy to access.

Internal communication

Staff engagement remained a priority for internal communication activities. An Away Day gave the opportunity to bring staff together, highlight achievements and discuss upcoming priorities. Products such as the weekly newsletter “What's up@EASME” (42 issues), the monthly digital magazine “The Brief” (8 issues) and writing and editing content on the intranet, all contribute to enabling staff to know what’s going on across the Agency and its programmes. Lunchtime sessions and workshops on a range on communication aspects (videos with mobile phone, delivering impactful speeches, how to be an EU/EASME ambassador, how to assess the communication strategy of your project), taught staff how to become good communicators themselves. The continued use of the quick polling system, Pulse Check, eight times throughout the year, allowed for valuable staff feedback on key priorities and issues such as office space, diversity and inclusion, mission process and the beneficiary survey.