



# Annual Activity Report 2021

EUROPEAN INNOVATION COUNCIL AND  
SMEs EXECUTIVE AGENCY (EISMEA)

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## THE AGENCY IN BRIEF

Executive Agencies are established by the Commission in accordance with Council Regulation (EC) No 58/2003<sup>1</sup> 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 European Innovation Council and Small and Medium-sized Enterprises Executive Agency (EISMEA) was established on 1 April, 2021<sup>2</sup>. With a focus on innovation and the single market, it will create strong synergies to support the recovery of the European economy. The agency has been entrusted with the implementation of the following (parts of) Union programmes:

- Horizon Europe, pillar III: the European Innovation Council (EIC) and European Innovation Ecosystems (EIE);
- European Regional Development Fund: Interregional Innovation Investments;
- Single Market Programme: SME Pillar; Internal market; support to standardisation; and Consumers.

EISMEA's mission is to provide high quality support to European innovators, researchers, businesses, regions and consumers. The agency aims to reinforce the European Union's position as a global leader in Research and Innovation, strengthen its Single Market, open up opportunities for SMEs and maintain high standards of protection for its citizens towards a more competitive, digital, green and inclusive EU. Its work is underpinned by six core values: client orientation, excellence, innovation, integrity, respect and transparency.

The Agency has its own administrative budget for which it receives from the EU an annual subsidy. The administrative budget covers the running costs of the Agency, mainly staff expenditure, office related costs, IT and other services. EISMEA's Director is the authorising officer (AO) for this budget.

EISMEA operates under the control of the Commission: it reports to the Directors-General of the parent Directorates-General (DGs) and to the Steering Committee, on the performance of the tasks assigned to the Agency. EISMEA implements delegated tasks in close cooperation with its five parent DGs<sup>3</sup>:

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

<sup>2</sup> COMMISSION IMPLEMENTING DECISION (EU) 2021/173 of 12 February 2021

<sup>3</sup> DG Research and Innovation (DG RTD), DG Communications Networks, Content and Technology (DG CONNECT), DG Internal Market, Industry, Entrepreneurship and SMEs (DG GROW), DG Justice and Consumers (DG JUST), and DG Regional and Urban Policy (DG REGIO)

2021 was EISMEA's first year of operation, bringing fresh management and a unique portfolio of programmes. Staff were recruited from previous Executive Agencies (EASME, REA, CHAFEA) as well as the European Commission. As the agency was established during a period of confinement brought by the COVID-19 pandemic, this brought practical challenges – particularly in terms of recruiting, onboarding and team-building. The agency was nevertheless able to rely on a committed, stable and adaptable workforce that has been implementing EU programmes successfully for many years. These positive factors contributed strongly to the agency's strong performance in 2021.

# EISMEA



From ideas to global markets: Innovation made in Europe

## EISMEA IN NUMBERS



**Established**

1 April 2021



**Mandate**

2021-2027

**5**

**Parent DGs**

RTD, CNECT, GROW, REGIO, JUST

Implements parts of **3 Programmes**:

- **Horizon Europe**: European Innovation Council (EIC) and European Innovation Ecosystems (EIE)
- **Single Market Programme**: Consumer Objective, SME Pillar and Internal Market & Support to Standardisation
- **European Regional Development (ERDF)**: Interregional Innovation Initiatives (i3)

**Responsible for managing:**

2335 projects

EUR 1.9 billion of EU funds and more than EUR 470 million of investments in 2021

## PROMOTING GENDER BALANCE

### IN OUR AGENCY



45% of middle management



53% of most senior staff  
(AD and CA FGIV)



Inter-Agency Women Talent Programme



370  
staff



40%  
men



60%  
women



Average  
age 47



27  
nationalities

## Our people

## AND ACROSS OUR PROGRAMMES



WomenTech EU – to increase women-led start-ups



EIC Accelerator expert pools = gender balanced



EIC Women Leadership programme



1 EU Prize for Women Innovators

**13**

applicants to promote participation of women innovators

EIC Board

10

10



WEgate online platform supporting women entrepreneurs



EEN Sector Group guiding women entrepreneurs towards success

## OUR WORKING ENVIRONMENT



**A listening culture**

- Open and regular dialogue between staff and management.
- First agency to elect its Staff Committee



**Vibrant and inclusive**

- Bottom-up groups encourage collaboration on issues that inspire us beyond our professional lives
- Digital Idea Box for staff suggestions to improve agency life



**Innovation-focused: EISMEA embeds innovation inside and outside its programmes**

- Using an online platform and Artificial Intelligence to help startups improve their EIC applications
- Monthly TED-Style talks for staff with leading innovators.
- EIC Board with 20 of Europe's top innovators



## EXECUTIVE SUMMARY

This Annual Activity Report is a management report of the Director of EISMEA to the College of Commissioners. Annual Activity Reports are the main instrument of management accountability within the Commission and constitute the basis on which the College takes political responsibility for the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the Treaties <sup>(4)</sup>.

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

#### A strong start to a new agency

EISMEA has made excellent progress since its creation in April 2021. Implementation of the delegated programmes remains largely on track despite the late adoption of some of the work programmes. On an operational level 95% of grants were signed within deadline as well as 99,2% of payments.

#### EIC: a crucial part of the innovation landscape today and in the future

- 2021 saw the EIC put in place solid foundations that will enable it to go from strength to strength in the coming years.
- The newly established **EIC Board** brings together a diverse group of experts from across the EU with thematic expertise in key areas for Europe's future innovations, including digital, health and the green transition. They will play a key role in guiding the implementation of the EIC.
- Six freshly recruited **EIC Programme Managers** will identify, develop, implement and promote frontier technological visions, and nurture potential market-creating innovation out of EIC-funded projects and activities.

The **EIC Fund** continued to play a crucial role in accompanying companies with disruptive technologies in their growth. It signed 74 investment agreements in 2021 for an equivalent amount of EUR 200 million. For this same year, the attraction of private capital (leverage effect) for the equity investments has been 3.1 times the value of co-investments in comparison to the EIC Fund investment.

#### Single Market Programme: delivering for businesses and consumers

The agency began its implementation of the Single Market Programme by successfully launching a number of calls aiming to empower and protect consumers and enable Europe's many SMEs to take full advantage of a well-functioning Single Market.

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<sup>(4)</sup> Article 17(1) of the Treaty on European Union

An important milestone was the [European Cluster Collaboration Platform's](#) organisation of European matchmaking events dedicated to **scaling up the development and production of COVID-19 vaccines and therapeutics**. This formed part of the work of the European Commission's Task Force for Industrial Scale-up of COVID-19 Vaccines implementing the [strategy on COVID-19 therapeutics](#). The events were opened by Commissioners **Thierry Breton and Stella Kyriakides** and gathered more than 700 actors from the vaccine and therapeutics ecosystems.

### **Interregional Innovation Investments Initiative (i3) successfully launched**

In November 2021 the agency published and opened the first two calls under the I3 programme focusing on three topics: Digital, Green and Manufacturing. The interregional dimension of the programme will enable regions from different countries work together on investing into companies and improved value chains.

### **Putting staff at the centre**

Starting a new agency during a period of confinement brought with it dual challenges of quickly building up a highly skilled workforce and creating a sense of belonging among staff who had not met in person.

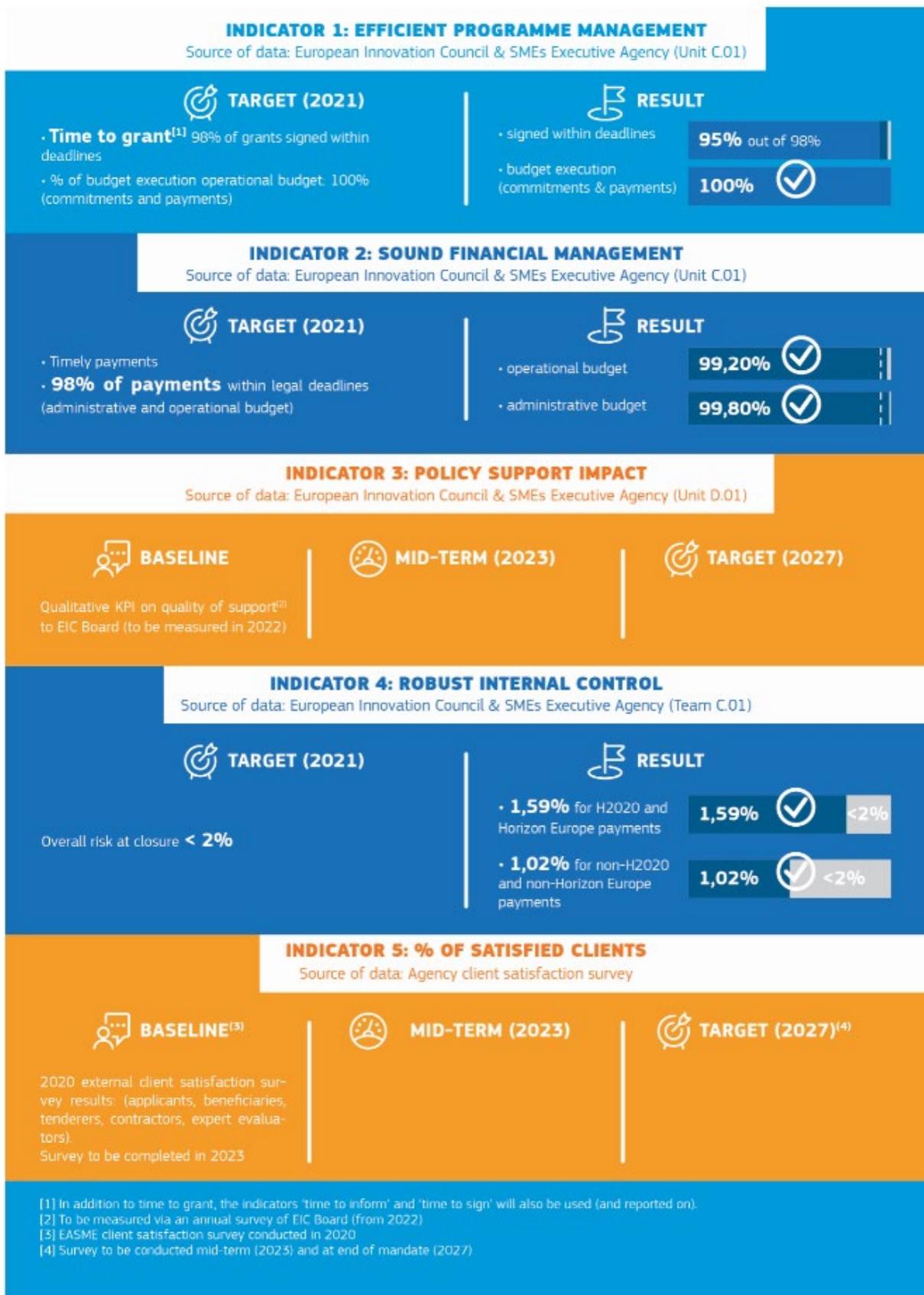
On the recruitment side, EISMEA invested strongly in the increased use of online tools to deliver a fully functional digital online selection process, launching 61 selection procedures in 2021. By 31 December, EISMEA employed 370 staff, achieving 88% of its staffing plan.

In parallel, the agency introduced a series of initiatives aimed at listening to staff and promoting dialogue. They ranged from Town Hall meetings open to all EISMEA staff to regular informal "coffee" meetings for small groups of staff to meet with senior management.

EISMEA launched its in-house magazine "Backstage@EISMEA" as a further means for staff to get to know each other, learn about stories behind the scenes of agency life and contribute to building a vibrant and inclusive working environment.

Finally, EISMEA worked to position itself as a beacon of innovation through initiatives such as regular TED-style lunchtime talks from top innovators which staff from the entire European Commission are now also able to join.

## B. Key Performance Indicators (KPIs)



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

In line with the Commission's Internal Control Framework EISMEA has assessed its internal control systems during the reporting year and has concluded that it is effective and the components and principles are present and functioning as intended.

In addition, EISMEA has systematically examined the available control results and indicators as well as the observations and recommendations issued by the internal auditor and the European Court of Auditors. These elements have been assessed to determine their impact on management's assurance about the achievement of the control objectives. Please refer to Section 2.1 for further details.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated.

The Director-General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

## **D. Provision of information to the Commissioner(s)**

In the context of the regular meetings during the year between the Director and the parent DG(s) on management matters, the main elements of this report and assurance declaration, have been brought to the attention of the agency's Steering Committee and to the parent DG(s) Director(s) General.

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

The Agency's 2021 Annual Work programme (AWP) was adopted by the European Commission on 22 December 2021 and by the Agency's Steering Committee on 27 January, 2022. 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 2.

### Horizon Europe

Horizon Europe - the EU's research and innovation framework programme - aims to strengthen the EU's scientific and technological bases and the European Research Area (ERA); boost Europe's innovation capacity, competitiveness and jobs; deliver on citizens' priorities and sustain our socioeconomic model and values. As part of the Horizon Europe programme's pillar 3 (Innovative Europe), the agency implements actions under **European Innovation Council** and **European Innovation Ecosystems**.<sup>5</sup>

By implementing these actions, EISMEA is supporting the development and scaling-up of SMEs with breakthrough and disruptive technologies and help make sure that Europe's strategic autonomy is ensured in critical technology areas. As such, EISMEA contributes to the European Commission's objective of A Europe fit for the Digital Age.

### European Innovation Council (EIC)

The EIC aims to support the rapid scale up of innovative technologies and companies (mainly start-ups and SMEs) at EU and international level along the pathway from ideas to market. It is organised into three main funding schemes: the **EIC Pathfinder** for advanced research to develop the scientific basis to underpin breakthrough technologies; the **EIC Transition** to validate technologies and develop business plans for specific applications; and the **EIC Accelerator** – including the **EIC Fund** - to support companies (SMEs, start-ups and in exceptional cases small mid-caps) to bring their innovations to market and scale up. In each case, the direct financial support to innovators is complemented with access to a range of **Business Acceleration Services (BAS)**. In addition, the EIC offers a number of **prizes** and other related actions, providing complementary support to promising innovators.

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<sup>5</sup> Further reporting on Horizon Europe and Horizon 2020 will be available in the relevant Programme Statement (to be published by the EC in June 2021)

## EIC Board

The EIC Board is established under Horizon Europe, tasked with advising the Commission on the overall strategy for the EIC, the EIC annual work programme, implementation of EIC activities and other issues of importance for EU's innovation policy. It is composed of 20



Photo Credit: ©European Union

independent experts acting in a personal capacity and representing the different constituencies of innovation ecosystem.

On 27 May, the agency launched an open call for expressions of interest for the EIC Board, with a deadline of 30 June. A total of 432 candidates expressed their interest, from which over 100 met the criteria set out in the call. The 20 selected [Board members](#) were formally appointed by the

Commission on 18 November 2021, with their first official meeting taking place on 26 November.

A further step will be to recruit the EIC Board President where the Agency is supporting the Commission in the recruitment process, with the formal decision due for the second quarter of 2022. The vacancy has been promoted in online and printed media (The Economist, Financial Times, Euractiv, the Parliament Magazine) with a potential outreach of 1.5 million views. On social media it generated 150 000 impressions on LinkedIn.

## EIC Pathfinder

The EIC Pathfinder offers grants to achieve science-to-technology breakthroughs that provide the proof of principle for radically new future technologies, thus laying the foundations for novel deep-tech innovations.

**Call management:** The first **EIC Pathfinder Open** call (deadline 25 May) received 868 eligible proposals which were evaluated with the help of more than 1000 external experts. For the first time in European Research and Innovation framework programmes, **a right-to-  
react (rebuttal) process was successfully piloted** in this call. This gave applicants the possibility to reply to evaluators' comments before the consensus discussions and the decisions on the final scores. As an outcome of these evaluation, 56 proposals were retained for funding for a total recommended EU contribution of EUR 168 million. A major challenge during the evaluation process was ensuring the correct procedures for Swiss applicants

(during a period of change in Switzerland's association to Horizon Europe) in line with guidance from the central Commission services. This caused a short delay in the time-to-inform.

The first **EIC Pathfinder Challenges call** (deadline 27 October) was successfully closed with 433 proposals submitted to the 6 topics. With EUR 132 million budget allocated to this call, it is expected that approximately 40 applications will be funded. The evaluation process is on schedule to be finalised by March 2022.

**Programme management:** At the end of the year 56 Horizon Europe grants were under preparation, which had been retained for funding under the Pathfinder Open call. For most of these grants, the grant agreement preparation process was significantly delayed due to the need to clarify the specific situation of successful applicants from Switzerland and the UK, as well as due to several IT-related issues. It is expected that several of these grants will be signed after the eight months time-to-grant deadline.

A new scheme allowing EIC Pathfinder and certain FET legacy projects a "fast track" access to the EIC Accelerator was launched in November. Under this **fast track scheme**, innovations stemming from these projects will be assessed during the project review. Successful applicants will be invited to prepare a full application directly to the second stage of the EIC Accelerator call.

**Legacy activities:** Legacy activities comprise 558 FET-Open and FET-Proactive grants. In 2021 EISMEA organised more than 150 review meetings for these projects, processed 109 interim/final payments and 148 project amendments. Many of those amendments (69) included a postponement of the project end date due to COVID-19 related problems in the execution on the project activities.

## EIC Transition

EIC Transition funds innovation activities that go beyond the experimental proof of principle in laboratory. It supports both the maturation and validation of novel technology as well as the development of a business case and business model towards the innovation's future commercialisation

**Call management:** The first EIC Transition Open and EIC Transition Challenges calls attracted 292 proposals of which 230 were evaluated with the help of more than 300 external experts. The evaluation process included an interview with up to five representatives of the consortium by up to six jury members. It resulted in 42 proposals being retained for funding (29 under Open, 13 under Challenges) for a total recommended EU contribution of EUR 99 049 020.

Despite challenges related to IT issues, the agency was able to run the calls on schedule.

**Programme management:** At the end of December 2021, 42 grants were under preparation. Several issues impacted the grant process, including the need to clarify the specific situation of successful applicants from the UK, additional IT-related issues and the introduction of some new requirements for applicants introduced under Horizon Europe.

The Fast Track to Accelerator scheme was successfully implemented with a first project successfully applying and accessing the Accelerator evaluation directly at full proposal submission step.

**Legacy activities:** Legacy activities comprise 81 projects. From these, 13 amendments were signed or in preparation during the period in order to extend the duration of the project following the direct impact of the pandemic crisis on the projects' staff and procurement tasks.

## EIC Accelerator

The EIC Accelerator focuses on innovations building on scientific discovery or technological breakthroughs ('deep tech') and where significant funding is needed over a long timeframe before returns can be generated ('patient capital'). Funding and support from the EIC Accelerator is designed to enable such innovators to attract the full investment amounts needed for scale up in a shorter timeframe.

**Call management:** Since the opening of the EIC Accelerator call in April 2021, over 5000 start-ups and SMEs submitted short applications, and nearly 2000 of these progressed to submit a full application for funding. The full applications came from 37 different countries and the total requested funding was EUR 11.22 billion, of which EUR 7.3 billion for equity investment.

Over 1650 remote experts evaluated the proposals along with more than 200 jury members. Both pools of experts were balanced between technical, business and innovation profiles as well as by country and gender. The submission and selection of the proposals took place in a new Artificial Intelligence based platform, developed by EISMEA staff and an external service provider. Linked to this, EISMEA staff also developed an Evaluation Monitoring Dashboard to manage the evaluation of proposals.

EISMEA has started the negotiation phase for the newly selected 164 projects under Horizon Europe.

**EIC Accelerator Pilot (Horizon 2020 legacy):** Legacy activities comprise 410 SME Instrument projects and 292 EIC Accelerator Pilot projects. The impact of the COVID-19 pandemic resulted in a number of requests for extensions of deadlines and project duration.

The EIC Accelerator Coordinators' Day took place virtually in June with 102 participants attending the meeting. Most of the CEOs and/or coordinators from the recently awarded EIC projects took part in the event.

**Fast Track to Innovation:** Legacy activities comprise 140 ongoing projects including 14 proposals for which the grant was finalised in 2021. The impact of the COVID-19 pandemic on the staff and tasks of projects led to the introduction of more than 100 grant amendments.

## **EIC Fund**

In 2021 the [EIC Fund](#) approved the provision of patient capital in the form of equity or quasi-equity to 104 highly innovative companies, selected by the EIC Accelerator during the pilot phase (under Horizon 2020) and approved by the EIC Fund Board of Directors, for an equivalent amount of EUR 471 million of investment committed and an average ticket size of EUR 4.5 million.

The Fund signed 74 investment agreements in 2021 for an equivalent amount of EUR 200 million reserving additional EUR 160 million for follow-on investments. For this same year, the attraction of private capital (leverage effect) for the equity investments has been 2.8 times the value of co-investments in comparison to the EIC Fund investment (December 2021).

The Investment Committee of the EIC Fund held 42 meetings where investment recommendations prepared by the European Investment Bank as investment adviser of the EIC Fund were processed. The EIC Fund board of Directors held 23 meetings and processed 114 investment recommendations from the Investment Committee.

In June 2021 the EIC Fund published a call for expression of interest for the positions of representative of the EIC Fund to the boards of invested companies.

## **EIC Prizes**

EIC Prizes represent an additional and complementary form of support to innovation. The agency managed the process for the 2021 edition of the prizes as well as the payments.

The [European Capital of Innovation Awards](#) recognise the role of cities as catalysers of the local innovation ecosystem and stimulate new activities aimed at boosting game-changing innovation. The 2021 edition received 39 applications with **Dortmund** (Germany) winning the main prize of EUR 1 million and **Vantaa** (Finland) winning the award of European Rising Innovative city and receiving EUR 500 000. Both were considered role models in the use of innovation for the benefit of citizens.

The [EU Prize for Women Innovators](#) recognises the most talented women entrepreneurs from across the EU and countries associated to Horizon Europe, who have founded a successful company and brought innovation to market. The competition attracted 264 applications with three prizes of EUR 100 000 being awarded as well as one prize of EUR 50 000 in the Rising Innovators category.

The agency also implemented the first edition of the [European Innovation Procurement Awards](#). The Awards are a recognition of public and private buyers across Europe in their efforts to promote innovation procurement and procure solutions in innovative ways. The competition obtained 47 applications with three prizes of EUR 75,000 as well as one runner-up prize per category, each of EUR 25,000 being awarded for: Innovation procurement strategy; Facing societal challenges; Procurement leadership.



Photo Credit: ©Babylonia, 2021

European Commissioner for Innovation, Research, Culture, Education and Youth, Mariya Gabriel officially announced the winners of the EIC Women Innovators Prize, the iCapital Award and the European Innovation Procurement awards at the [EIC Summit](#).

The 2021 edition of the [European Social Innovation Competition](#) put a focus on “Skills for tomorrow”, attracting 565 applications proposing scalable social innovations that will contribute to job creation, growth and European competitiveness. In addition to the three Challenge prizes of EUR 50,000 each, one “Impact Prize” (open to semi-finalists of the previous year) of EUR 50,000 was also awarded.

### EIC Community and Business Acceleration Services

The EIC’s Business Acceleration Services (BAS) use the pan-European reach of the EIC to connect beneficiaries with tailor-made services to stimulate their development and growth

**Access to coaches, mentors, expertise and training:** EISMEA provided 1056 coaching cases during in 2021 including an additional coaching service offered to Accelerator applicants in preparation of a full proposal submission. The late entry into force of Horizon Europe meant that contracts with coaches could not begin at the beginning of 2021 as planned. This had a negative impact on the number of coaching cases completed compared to the initial forecast.

The launch of the Women Leadership Programme provided a dedicated programme of mentoring, skills enhancement and networking for women entrepreneurs and researchers in EIC supported projects. In this context six events (one launch event, one roundtable during the EIC Summit and four training events) were held.

**Access to global partners:** 13 Corporate and Multicorporate Days were held in 2021 with 36 of the largest European Corporations involved and 293 EIC beneficiaries participating. The programme included the opportunity to pitch and do direct business with corporate decision makers. Despite the challenge of organising events during the COVID-19 pandemic, 100% of corporates involved confirmed their interest in repeating the experience and expressed a high level of satisfaction (+90%). The late entry into force of Horizon Europe combined with

COVID-19 related restrictions meant that the organisation of events started later than planned and fewer events were held than originally forecast.

**Access to partners from across the European innovation ecosystem:** Seven focused pitching events provided access to investors in key thematic areas including: Cleantech and Energy; Health; Semiconductors, Chips and Quantum Computing; Deep Tech Technologies; Aerospace; Mobility & Transportation.

**Legacy activities:** The agency continued to provide business acceleration services to the legacy Pathfinder (FET Open and FET Proactive), Transition (FET Innovation Launchpad and Transition to Innovation Activities), Accelerator and FTI projects funded under Horizon 2020.

### Other EIC Actions

To support the EIC's core activities and ensure the best possible support for innovative technologies and companies, the agency launched a number of public procurement actions, expert contracts and grants in the following areas, which are all largely on track:

**Communication, outreach and events.** Procurement of communication support helped EISMEA ensure the successful delivery of the EIC Summit. Paid and organic social and online media campaigns led to 440 000 impressions on Twitter and 30% increase of number of followers on LinkedIn. An EIC communication support contract has been signed that will support the EIC Communication Work Plan 2022 focusing on the promotion of the EIC Fund and EIC in general.

**Honoraria and expenses of the European Innovation Council (EIC) Board.** Contracts with the most EIC Board members were signed in November 2021. Due to the late adoption of the Commission Decision appointing the members, four contracts were signed late.

**Foresight and analysis of emerging technologies and innovation trends** aim to ensure innovation and adapt its portfolio and funding accordingly. Work with the Joint Research Centre is ongoing to prepare an Administrative Arrangement for 2022 focused on scientific and technical support to EIC activities. Public procurement is planned for Q4 2022.

**EIC data management and information systems.** Contracts for the EIC data and IT integration is ongoing with the publication of a call for tender for the Innospace platform foreseen for February 2022.

**External expertise for monitoring, ethics and policy advice.** The EIC uses external independent experts for ethics review and for the monitoring of ongoing projects. In 2021, EISMEA staff issued 923 contracts for expert monitors and 88 contracts for ethics experts.

**Capacity-building and trans-national cooperation for National Contact Points (NCPs).** Following a call in April 2021 and evaluations, a grant is on track to be signed in February 2022.

**Co-Design with Public and Private Buyers of Innovation.** Following a call in July 2021, evaluations are in their final stage. The winning consortium will offer support to buyers of innovation in engaging in innovative pilots with, among others, EIC beneficiaries.

**Expert group on design of EIC Marketplace and ‘Tech to Market’ activities.** An expert group was selected and contracted in July. They also advised EISMEA – as a sounding board - in the drafting of tenders ‘Access to expertise’ and ‘Innospace platform’.

**EIC expert group on the implementation of the EIC plug-in pilot.** Independent experts are assessing the suitability of national and regional programmes for a pilot “plug in” scheme (to fast-track applications to the EIC Accelerator resulting from existing national or regional programmes). The results will be known in Q1 2022.

**Support to the EIC Accelerator by the Enterprise Europe Network.** The action aims at providing support to the EIC Accelerator applicants from widening countries, women-led companies and Seal of Excellence holders. Signature of the contract is expected in the second quarter of 2022.

**Enhancing synergies between the EIC and Start-Up Europe.** Actions aim to fulfil the potential of European start-ups in delivering market-ready applications and technology solutions that can contribute to the competitiveness and strategic autonomy of EU industry. A total of 27 proposals were received and evaluations are ongoing..

## EIC External Communication

**EIC Summit:** On 24-25 November, the EIC held its [flagship hybrid event](#) with more than 2300 participants (500 onsite and 1800 online) and 200 speakers participating over 40 sessions.

The event - organised by EISMEA - hosted [three prestigious award ceremonies](#), saw the launch of the [EIC Forum](#), presentation of the [EIC impact report](#), and the nomination of [EIC Ambassadors](#).

[Speakers](#) included European Commission Executive Vice-President Margrethe Vestager as well as Commissioners Mariya Gabriel and Thierry Breton.



Photo Credit: ©Babylonia, 2021

**Participation at major international events:** The EIC was also present at major



Photo Credit: ©European Union

innovation events, including **Vivatech in Paris** (June), **Web Summit in Lisbon** (1-4 November) with a masterclass under the title “Innovative Europe and the EIC - its biggest deep-tech investor” and **Slush in Helsinki** (1-2 December) with a workshop titled “The European Union as a deep-tech investor”.

### **Attracting new EIC applicants.**

The online EIC Applicants’ Day (19

March) provided prospective applicants with information about the EIC funding instruments and processes. The [morning session](#) and the [afternoon session](#) were broadcast live on YouTube and followed by more than 20 000 viewers.

**Impactful digital communication.** The EIC’s digital communication channels (website, newsletter and social media) proved to be useful and popular sources of information throughout the year, particularly for information on calls and success stories. On Twitter, the EIC reached around 45 000 followers (a 21% year on year increase) and close to half a million monthly impressions. It also saw a 52% year on year increase on LinkedIn, reaching over 38 000 followers.



## **European Innovation Ecosystems**

The [European Innovation Ecosystems \(EIE\) Work Programme](#) was adopted on 15 June 2021. The agency launched calls for proposals in the three thematic areas known as EIE “destinations”: **CONNECT, SCALE-UP and InnovSMEs**. All calls were launched and evaluations started on time by the end of 2021.

The **CONNECT** destination - focussing on building interconnected, inclusive innovation ecosystems across Europe - attracted 32 proposals (25 for the [preparatory action for setting up joint programmes among innovation ecosystems actors](#) and seven for [building capabilities in innovation procurement](#)).

The **SCALE-UP** destination - focussing on [Expanding Acceleration Ecosystems](#), [Scaling up deep-tech ecosystems](#), and supporting early-stage deep tech and European start-ups led by

women ([Women TechEU](#)) - attracted 447 applications. The Women TechEU topic alone received 393 applications from 37 EU Member States/Horizon Europe Associated Countries, demonstrating the attractiveness of the scheme.



**“Through Women TechEU, we want to increase the number of women-led start-ups and create a fairer and more prosperous European deep-tech ecosystem.”**

Mariya Gabriel, Commissioner for Innovation, Research, Culture, Education and Youth:

©European Union 2021

In June 2021, EISMEA launched the European Partnership on Innovative SMEs (**InnovSMEs**) [call](#) where one proposal was evaluated and successfully awarded. It will help innovative SMEs to increase their research and innovation (R&I) capacity and productivity, replacing the previous [Eurostars](#) programme.

The Agency contributed to the preparation of the **EIC Forum inauguration at the EIC Summit on 25 November in Brussels**. The Agency also led the preparation and co-moderated (with DG Research) the **EIC Forum plenary on 23 November**. The plenary brought together around 50 experts to discuss how to better link research, education and business. Following the discussions the Agency drafted the governance structure and working modalities of the future EIC Forum working groups.

The Agency continued to monitor and guide the **European IP Helpdesk**, which helped SMEs better protect their intellectual property through a range of services.

In addition 2021 saw a number of grant agreements signed aiming to advance the collaboration between the EIC and the Knowledge and Innovation Communities (KICs) of the European Institute of Technology (EIT).

**External communication:** In September the agency organised an info-day for the EIE calls in 2021. It attracted close to 400 participants who shared a total of 176 questions online.

## Single Market Programme

The Single Market Programme aims to empower and protect consumers and enable Europe's many SMEs to take full advantage of a well-functioning Single Market. In doing so, it will ensure continuity in the efficient delivery of the Single Market on the ground, while providing better value for money for EU citizens.

The Agency implements several complementary strands of the programme: the Consumer objective, the SME pillar and actions designed to strengthen the internal market and provide support to standardisation. In doing so, EISMEA is helping to generate more business opportunities in the Single Market, ensure that more European SMEs have access to cross-border business by digital means, ensure that consumers are empowered and better protected and improve sustainable consumption. As such it is contributing to achieving the European Commission's objectives of A Europe fit for the Digital Age and a European Green Deal.

### Consumer objective

The Consumer activities aim at promoting the interests of consumers and ensuring a high level of consumer protection and product safety by empowering, assisting and educating consumers, businesses and civil society; ensuring a high level of consumer protection, sustainable consumption and product safety notably by supporting competent enforcement authorities and consumer representative organisations and cooperation actions; ensuring that all consumers have access to redress; and providing adequate information on markets and consumers.

To help achieve these objectives, the agency launched seven calls / invitations to submit proposals. The calls covered areas including:

- [co-operation](#) between national authorities responsible for the enforcement of consumer protection law;
- offering assistance to consumers in Member States in the form of [Alternative Dispute Resolution](#);
- promoting stable [debt advice](#) services;
- hosting the European Consumer Centres ([ECC](#));
- support for the activities of Member States authorities [participating in EU consumer policy](#);
- support for the activities of the consumer organisation at the Union level – [BEUC](#).

The Agency received in total 81 proposals from 29 countries, including EU member states, Norway and Iceland. While IT issues impacted the online submission system for one call, the agency was able to address this issue successfully with the help of central corporate services. A total of five grant agreements have been signed.

In addition, the Agency signed three service contracts focused on training and capacity building for consumer policy stakeholders; communication of the changes brought by the directive on better enforcement and modernisation of EU consumer protection as well as for an Informal Ministerial Meeting under the French Presidency.

The Agency also launched a [CASP](#) framework contract to help generate synergies and efficiencies in market surveillance actions.

The late adoption of SMP Regulation and related Financing Decision - together with related policy reconsiderations - led to delays in the call planning for both grants and procurement actions, meaning that some actions originally planned for 2021 will be finalised in 2022.

**Legacy activities:** In 2021, the agency (initially CHAFEA and then EISMEA) successfully finalised commitments for all residual actions, both grants and procurement contracts. Highlights of legacy actions completed in 2021 include: [CASP 2020](#), the [Consumer Scoreboard](#) 2020 and the European Consumer Summit 2021 which brought together more than 700 stakeholders from 33 countries, including policymakers, national and European institutions, enforcement authorities, academia, consumer and business organisations, and youth representatives to discuss operational priorities for the year ahead.



**External communication:** In 2021, EISMEA organised 6 [Info Sessions](#) (4 in June/July and 2 in September 2021) for prospective applicants.

## SME pillar

The SME pillar of the SMP aims to strengthen the competitiveness and sustainability of European enterprises by supporting SMEs, clusters and other business network organisations, facilitating access to markets, promoting entrepreneurship and a favourable business environment for digital transformation and new opportunities for SMEs, and the modernisation of industry.

Due to the late approval of the 2021 Work Programme<sup>6</sup> the Agency was only able to launch nine calls for proposal and three calls for tenders under the SME pillar. The agency ensured

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<sup>6</sup> COMMISSION IMPLEMENTING DECISION of 6.5.2021 C(2021) 3046 final on the financing of the Programme for Single Market, competitiveness of enterprises, including small and medium sized enterprises, and European Statistics and the adoption of the work programme for 2021-2024

that all grant agreements from the 2020 (COSME) Work Programme were signed before 31 December. The main challenges faced in 2021 were the signing of 16 COSME grants that extended beyond the target of 274 days after call deadline (due to issues concerning the legal or financial validation of some beneficiaries) and the high number of requests for re-evaluation received (2.99% of the proposals evaluated).

The [Enterprise Europe Network](#) (EEN) focused its efforts on supporting resilience, sustainability and digitalisation in SMEs in 2021, rolling out new services and recording more than 4500 achievements with a significant impact on SMEs' competitiveness, including more than 2400 SMEs signing business and innovation partnerships. Tackling the COVID-19 pandemic, the EEN provided advice to companies on increasing their resilience and on innovative ways of dealing with market disruptions.

In addition, EISMEA's support helped deliver:

- A revamped [European Cluster Collaboration Platform](#) (ECCP) delivering new services to European clusters including [matchmaking events](#), [technical assistance](#), support to 25 projects in their greening strategies, a [ClusterXchange](#) and a [database](#) of good practices.

- The "[Data 4 Healthy Recovery Hackathon](#)" aimed at fostering the competitiveness of EU industry with a focus on the specific needs of SMEs – where 32 teams addressed nine challenges. There was [one winner per challenge](#) and the top 12 winners were invited to a three-month [acceleration programme](#).

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EISMEA's project "**WeBuySocialEU**" published [Making Socially Responsible Public Procurement Work: 71 Good Practice Cases](#), to improve understanding of the potential of socially responsible public procurement with examples of how public procurers have achieved social benefits. It is featured in among the [most popular titles published by the European Union](#)

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The [Erasmus for Young Entrepreneurs](#) (EYE) programme reached a key milestone of **10,000 exchanges**. EYE has grown steadily since its launch in 2009 supporting entrepreneurs in the growth and development of their SMEs. It has also helped new entrepreneurs turn their business idea into reality. Entrepreneurs who benefitted from the programme include 2021 EYE award winners, [Artjola Puja](#), and [Paulina Tsvetanova](#).

As part of the work of the European Commission's Task Force for Industrial Scale-up of COVID-19 Vaccines implementing the [strategy on COVID-19 therapeutics](#), the [European Cluster Collaboration Platform](#) (ECCP) organised a series of European Matchmaking events between March and November 2021 dedicated to scaling up the development and production of COVID-19 vaccines and therapeutics. The events, opened by Commissioners Thierry **Breton** and Stella **Kyriakides**, gathered more than 700 actors from the vaccine and therapeutics ecosystems.

**Communication activities:** EISMEA launched three thematic videos highlighting the EEN's support for SMEs in the areas of [sustainability](#), [digitalisation](#) and [boosting resilience](#). The first two, published in Q4 2021, generated over 400,000 video views and more than one million

impressions. In addition, the Network participated at flagship events including [EU Industry Days 2021](#), [EU Open Data Days](#) and [Web Summit 2021](#). Finally, entrepreneurs supported by the Network participated in the [Europe is Calling](#) podcast with Commissioner Thierry Breton thus enhancing the visibility of the Network at EU level.

In autumn 2021, EISMEA organised a three-day (hybrid) annual conference for the EEN under the theme "Reconnect, Renew, Recover". Around 1400 participants registered online and around 100 people per day participated in intensive learning, sharing and networking onsite in Stuttgart. Social media posts potentially reached more than 1.1 million users and almost two million impressions. The event generated more than 100 media clippings in several EU countries.



Photo Credit: ©European Union

### Internal Market and support to standardisation

The Internal Market and Support to Standardisation strand of the Single Market Programme aims to make the internal market more effective by supporting effective market surveillance throughout the Union and enabling the financing of European standardisation and the participation of all relevant stakeholders in setting up European standards.

Its 2021 SMP Work Programme was adopted on 06 May 2021 and revised on 29 September 2021, delegating close to EUR 18.6 million of its budget to EISMEA to support the effectiveness of the internal market.

**Call management:** EISMEA's call planning for grants and procurement actions faced some delays in 2021 due to the longer than expected approval process for the use of new templates and a postponement in the approval of the amended work programme. EISMEA will finalise the evaluation phase of all ongoing calls and the signing of the related grant agreements in 2022. This strand of the SMP is not yet on-boarded to the online e-Grants system that is widely used by other funding programmes managed by the agency. It is anticipated that the on-boarding will take place in the first quarter of 2022, thus streamlining the whole grant management process.

During this period, EISMEA published five calls for proposals (three for Support to Standardisation and two for Internal Market). The agency also launched and signed a service contract for a [study on measuring product non-compliance for selected sectors in the EU member states](#). The call for a study on assessing challenges and opportunities for market surveillance was cancelled as the Agency received no offers. The call was then relaunched by DG GROW.

**Legacy activities:** The Agency closed eight action grants out of 45 concluded in the period 2013 to 2020 under successive Framework Partnership Agreements with European standardisation organisations CEN, CENELEC, and ETSI.

**External communication:** The agency prepared and organised two on-line info-sessions for Calls on Market Surveillance. Info days (29 attendees) organised on-line.

## European Regional Development Fund (ERDF)

The ERDF aims to strengthen economic and social cohesion in the European Union by correcting imbalances between its regions. Part of the ERDF, the Interregional Innovation Investments Initiative (I3) helps businesses work with innovation actors in other regions to bring innovative products and services to market and address societal challenges. This will contribute to the development of European value chains in shared smart specialisation areas supported under Cohesion Policy.

By implementing actions under I3, EISMEA is promoting innovative and smart economic transformation across the EU, thus contributing to the European Commission's objective of a Europe fit for the Digital Age.

### Interregional Innovation Investments Initiative (i3)

The first i3 work programme was adopted on 25/08/2021 with more than EUR 153 million allocated to two distinct strands. Under Strand 1, action grants for mature partnerships connect demand and supply to accelerate interregional innovation investments in shared Smart Specialisation priority areas. Under Strand 2a for less developed regions, action grants increase the capacity of regional innovation ecosystems to participate in global value chains. The added value of this programme comes especially with the interregional dimension: regions from different countries work together on investing into companies and improved value chains.

The I3 expert group met for the first time in June 2021. The group chaired by DG REGIO (EISMEA has observer status) is composed of representatives from Member States, regional authorities and cities, representatives of business, research and civil society bodies active in the field of smart specialisation. It aims to support the work of the Commission as regards the definition of the i3 work programme and the related calls.

**Call management:** In November 2021 the agency published and opened the first two calls with two cut offs on 1 February 2022 and 18 October 2022 where applicants can apply for three different topics (Digital, Green and Manufacturing).

**External communication:** The information day on 9 December 2021 attracted more than 700 participants with a satisfaction level of over 97%.

## InvestEU Programme

EISMEA contributed to the negotiations of financial products under the Research, Innovation and Digitisation Window (RIDW) and the SMEs Window (SMEW) of the InvestEU Fund. This included the creation of the joint SME-RIDW intermediated equity product. For this, EISMEA co-defined the gender criteria and related KPI, making it the first ever product targeting investments in women-led funds at EU level.

EISMEA supported DG R&I in negotiating the EU-Catalyst partnership between the Commission, Breakthrough Energy Catalyst and the EIB, launched in November at the COP26 in Glasgow. EISMEA contributed to development of the InvestEU framework to implement the partnership. Work on this will continue in 2022.

In the second half of 2021, EISMEA evaluated 22 financial product applications from 10 potential implementing partners under the RIDW as well as four advisory applications from three potential advisory partners and participated in consensus meetings organised by DG ECFIN. The focus in 2022 will be on negotiating guarantee and advisory agreements with the selected implementing partners for signature by mid-to-end 2022.

EISMEA provided regular analyses and comments on key InvestEU documents such as the scoreboard, methodology for KPIs and the eligibility checklist. EISMEA also actively participated in the selection of the InvestEU Fund Investment Committee and the subsequent training of the selected members. The Agency supports DG R&I in preparing its representatives for the meetings of the InvestEU governing bodies (Governing Group and Steering Board).

## **2. MODERN AND EFFICIENT ADMINISTRATION AND INTERNAL CONTROL**

### 2.1 Financial management and internal control

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

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

- AOSD reports submitted by the Heads of Sector, Deputy and Heads of Unit and Heads of Department managing budget;
- the contribution of the Risk Management and Internal Control (RMIC) function, including the results of internal control monitoring at the Agency level;
- the reports on recorded exceptions, non-compliance events and cases of 'confirmation of instructions' (Art 92.3 FR);
- the audit reports of the ex-post control function;
- opinion, observations and recommendations reported by the Internal Audit Service (IAS);
- observations and 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 EISMEA.

EISMEA implements the delegated programmes autonomously with the Director acting as authorising officer by delegation (AOD). As such, the Agency manages the EU programme budgets by way of direct management and manages its own operating budget.

As regards the operational budget expiring in 2021, commitment appropriations of EUR 1 447 990 795 and payment appropriations of EUR 909 810 061 were fully implemented (100%).

Operational Budget 2021 - PAYMENTS Execution per programme		ALL FUND SOURCES (except NGEU)		BUDGET EXPIRING IN 2021		NGEU	
		(million EUR)	%	(million EUR)	%	(million EUR)	%
Title 01 - Research and Innovation	Horizon Europe	2,28	0%	1,94	0%	0,18	100%
	Pilot projects	0,00	0%	0,00	0%		
	Legacy H2020	870,71	91%	828,72	91%		
Title 02 - European Strategic Investments	Legacy COSME	0,08	0%	0,08	0%		
	Single Market Programme	13,23	1%	13,18	1%		
Title 03 - Single Market	Pilot projects	0,00	0%	0,00	0%		
	Legacy COSME	48,68	5%	48,49	5%		
	Legacy CONSUMERS	12,12	1%	12,06	1%		
	Legacy - STANDARDISATION	5,35	1%	5,35	1%		
Title 05 - Regional Development and Cohesion	European Regional Development Fund (ERDF)	0,00	0%	0,00	0%		
<b>TOTAL</b>		<b>952,44</b>	<b>100%</b>	<b>909,81</b>	<b>100%</b>	<b>0,18</b>	<b>100%</b>

The initial operating budget 2021 (EUR 46,21 million) was adopted before the creation of the new Agency. In 2021, the budget was used to cover the expenses as EASME until the end of March and then as EISMEA. While the maximum available budget amounted to EUR 50,696 million, it was reduced because of the Covid-19 pandemic's impact on the Agency's expenditures, resulting in a final operating budget of EUR 45,19 million. A total of EUR 42,52 million has been committed in 2021, out of which a total of EUR 39,83 million was paid in 2021. From the beginning of 2022 EUR 591.305 have been already paid from commitments made in 2021 (C8).

On the operating budget, some 476 payments were processed where 99,8% of the total payment accepted amount was done within the legal deadlines.

OPERATING BUDGET 2021		COMMITMENTS (million EUR)		PAYMENTS (million EUR)	
		Appropriations authorised	MADE	Appropriations authorised	MADE
Title 1	C1 fund source	35.315	33.873	35.315	33.278
	C8 fund source	0	0	653	301
Title 2	C1 fund source	8.361	7.575	8.361	6.296
	C8 fund source	0	0	1.353	741
Title 3	C1 fund source	1.515	1.077	1.515	252
	C8 fund source	0	0	1.053	783
<b>Total</b>		<b>45.191</b>	<b>42.525</b>	<b>48.250</b>	<b>41.651</b>

The Agency carries out an Accounting Quality Exercise on an ongoing basis which aims at ensuring the accuracy of the accounting data in the IT financial systems. In 2021, EISMEA tested financial transactions in areas including expenditure, pre-financing, commitments, guarantees, recovery orders, fixed assets and cut-off. The tests concluded that financial transactions were recorded according to Financial Regulation and internal guidelines.

### 2.1.1. Control results

This section reports and assesses the elements identified by management which support the

assurance on the achievement of the internal control objectives (ICO) <sup>(7)</sup>. The DG's assurance building and materiality criteria are outlined in AAR Annex 5. The AAR Annex 6 outlines the main risks together with the control processes to mitigate them and the indicators used to measure the performance of the relevant control systems

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<sup>(7)</sup> 1) Effectiveness, efficiency and economy of operations; 2) reliability of reporting; 3) safeguarding of assets and information; 4) prevention, detection, correction and follow-up of fraud and irregularities; and 5) adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 36.2). The 2nd and/or 3rd Internal Control Objective(s) (ICO) only when applicable, given the DG's activities.

**Overview table (amounts in EUR million)**

<b>Risk-type / Activities</b>	<b>Grants (e.g. actual costs based, or lump sums, or entitlements)</b>	<b>Procurement (e.g. minor or major values)</b>	<b>Delegation / Contribution agreements with EE (EIB, Int-Org, etc)</b>	<b>Other (describe any other expenditure not covered by the previous columns)</b>	<b>Total Expenditure</b>	<b>NEI, e.g. Revenues, Assets, OBS ((in)tangible or financial assets &amp; liabilities)</b>
<b>Horizon Europe 2021-2027</b>	0.27	0.17	-	2.02	2.46	
<b>H2020</b>	611.71	7.26	250.00	1.81	870.78	
<b>COSME 2014-2020</b>	25.30	22.83	-	0.56	48.68	
<b>COSME 2021-2027</b>	10.30	0.29	-	0.05	10.65	
<b>Consumer 2014-2020</b>	3.53	8.59	-	-	12.12	
<b>Consumer 2021-2027</b>	2.58	-	-	-	2.58	
<b>Standardisation 2014-2020</b>	5.35	-	-	-	5.35	
<b>Totals (coverage)</b>	<b>659.03</b>	<b>39.14</b>	<b>250.00</b>	<b>4.45</b>	<b>952.62</b>	
<b>Links to AAR Annex 3</b>	<b>Overall total (m EUR); see Table 2 – payments made</b>			<b>Overall total (m EUR)</b>	<b>n/a</b>	<b>Table 4 – assets</b>

*Legend for the abbreviations: OP=Operational Programme, PA=Paying Agency, NA=National Agency, AOXDs =Authorising Officer by Cross-Delegation, EA=Executive Agency, JU=Joint Undertaking, NEI =Non-Expenditure Item(s), OBS= Off-Balance Sheet, ICO = Internal Control Objective, L&R=Legality and Regularity, SFM= Sound Financial Management, AFS= Anti-Fraud Strategy measures, SAI=Safeguarding Assets and Information, TFV=True and Fair View, RER=Residual Error Rate, CEC=Cost-effectiveness of controls, Mngt =Management*

In line with the 2018 Financial Regulation, EISMEA's assessment for the new reporting requirement is as follows. Further information in Annex 7:

- Cases of "confirmation of instructions" (new FR art 92.3)  
None
- Cases of financing not linked to costs (new FR art 125.3)  
One case
- Financial Framework Partnerships >4 years (new FR art 130.4)  
Two cases
- Cases of flat-rates >7% for indirect costs (new FR art 181.6)  
Cases covered by derogations from this rule
- Cases of "Derogations from the principle of non-retroactivity [of grants] pursuant to Article 193 FR" (new Financial Regulation Article 193.2)  
None

## **1. Effectiveness**

### **a) Legality and regularity of the transactions**

EISMEA uses internal control processes to ensure sound management of risks relating to the legality and regularity of the underlying transactions it is responsible for, taking into account the multiannual character of programmes and the nature of the payments concerned.

In addition to the direct grant management, the Agency follows the guidance of an independent EIC board and cooperates with the EIC Fund, an independent entity responsible for the investment component of EIC Accelerator blended finance awarded to breakthrough innovation companies.

### **Control results for grants under direct management**

The control system for grant direct management is deployed in four stages: 1) programming, evaluation and selection of proposals, 2) contracting, 3) monitoring and execution and 4) ex-post controls. Key indicators have been defined for each stage covering control effectiveness and control efficiency.

Furthermore, these controls are reinforced through a new Programme Manager's Office providing expertise in an emerging science-and-technology area. Fully integrated in all stages of the control processes the office is working closely with the ongoing projects and stakeholders to create and accelerate concrete innovation opportunities through a portfolio of actions, potentially spanning the full range of EIC schemes: Pathfinder, Transition and Accelerator.

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

The Agency concluded the vast majority of the legacy calls planned in the 2021 Annual Work Programme. For the new delegated programmes, the calls were implemented to some extent for the SMP SME pillar and Consumers programme. Due to the delayed MFF and consequently late delegation of the programmes, the planned budget for the calls for the new programmes has not yet been implemented.

The budget allocated for calls published in 2020 has been fully implemented or committed for most of the programmes in 2021. For calls published in 2021, the Agency started to commit funds that will be further managed in 2022.

For further details of cost effectiveness ratios for proposals and evaluation review requests see annex 7.

In terms of benefits, they could be quantified in total to more than EUR 80 million as detailed in the table below.

Benefits stage 1 (m EUR)	EIC Pathfinder	E-02 - EIC Transition Activities and BAS	EIC Accelerator (HE)	EIC Prizes	Innovation in SMEs programme (INNOSUP) (H2020)	European Innovation Ecosystems (HE)	COSME	SMP (COSME Pillar)	Support to Standardisation	Market Surveillance	Consumers	TOTAL
Indicative calls budget	300.00	100.10	1,087.60	1.65	5.70	72.80	26.00	165.70	13.06	5.26	18.98	1,796.85
Total requested funding selected proposals	177.92	99.05	844,741.50	1.65	17.02	99.41	58.00	156.11	N/A	5.13	10.85	845,366.63
% success rate : selected (funded) vs eligible proposals	6.45%	18.26%	2.38%	1.41%	11.11%	18.34%	23.26%	79.73%	0.00%	92.31%	100.00%	5.40%
Requested funding ineligible proposals	106.22	245.57	447.29	N/A	42.70	2.35	10.51	12.63	N/A	N/A	N/A	867.28
Benefit (requested funding ineligible proposals * success rate)	6.85	44.84	10.66	N/A	4.74	0.43	2.44	10.07	N/A	N/A	N/A	80.05

Table 2: Benefit stage 1 (m EUR)

**Qualitative benefits:** a well designed Work Programme and widely-published calls appeal to a larger number of good quality projects, out of which the very best can be chosen. Expert evaluators bring independence, state of the art knowledge and a range of different opinions, which has a positive impact on the whole project cycle. Selection controls ensure that the most merited projects are funded.

## Stage 2: contracting

Stage 2 aims to ensure that the actions and funds allocation is optimal (best value for public money).

**Qualitative benefits:** The whole committed budget is checked for appropriateness (exclusion of actions not directly related to the achievement of programme objectives),

enhancing the prevention of future errors and leading to a higher assurance on the achievement of the project objectives and results.

### **Stage 3: monitoring the execution**

Stage 3 aims to ensure that the operational and financial results from the projects are of good value, meet the objectives, and comply with regulatory and contractual provisions.

In 2021, 7,4% of non-eligible costs over the amount claimed were detected in ex ante controls by overall amount of cost claims that were controlled ex ante (672,262,442.38 EUR).

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

### **Stage 4 Ex-post controls and implementing results**

#### **Ex-post control results for grant management**

For non-Horizon 2020 and non-Horizon Europe programmes, the main indicator used to assess the legality and regularity of the transactions under grant management is the residual error rate deriving from the ex post audits. For Horizon 2020 (H2020) and Horizon Europe (HE), apart from the cumulative residual error rate, the representative detected error rate is used as an indicator too.

Ex post controls are under the responsibility of EISMEA for all programmes managed by the Agency except Horizon 2020 and Horizon Europe. We note that there are no audits finalised in 2021 for the Consumer Programme and “Internal Market and support to Standardisation activities”, as these programmes were transferred to EISMEA as of 1 April 2021 and there were no on-going audits at the time of the transfer. Assurance in this case is provided by the cumulative residual error rate of the programmes, as they were reported in the AAR 2020 of the predecessor services.

For Horizon 2020 and Horizon Europe, audits are carried out by the Common Audit Service (CAS) of the Common Implementation Centre of DG R&I. This is a major step towards ensuring a harmonised approach, legal certainty, equality of treatment and minimising the audit burden on beneficiaries. For Horizon Europe, it is noted that the ex-post audit campaign is planned to be launched by the end of 2023, at the earliest.

For COSME, Consumer Programme and “Internal Market and support to Standardisation activities” the control objective of the indicator described above is to ensure that the cumulative residual error rate, i.e. the level of errors that remain undetected and uncorrected, does not exceed 2% by the end of the programme cycle. For Horizon 2020, the target of the control system is to obtain a cumulative residual error rate within a range of 2-5% aiming to be as close as possible to 2%. Lastly, for Horizon Europe the target is to obtain a cumulative residual error rate that does not exceed 2%.

Progress against control objectives and targets is assessed annually based on the results of the implementation of the ex-post audit strategies<sup>8</sup> and taking into account the frequency and importance of the detected errors, along with cost-benefit considerations regarding the effort and resources needed to detect and correct the errors.

It should be noted, however, that due to their multi-annual nature, the effectiveness of the control strategies can only be measured and assessed fully in the final stages of the programmes, once the ex-post control strategy has been fully implemented and errors, including those of a systematic nature, have been detected and corrected.

EISMEA considers that, for all programmes except COSME, the cumulative residual error rates fall within the established target range and therefore a reservation is not necessary. The multi-annual residual error rates at the end of 2021 are at 0,45%<sup>9</sup> for Consumer Programme and at 0,35%<sup>10</sup> for “Internal Market and support to Standardisation activities”. For Horizon 2020, the residual error rate, derived from EISMEA participation only, is 2,06%, when taking into account final audit reports<sup>11</sup>. Despite the absence of reservation, the root causes of errors have been identified and targeted actions taken to address any identified weaknesses. It is noted that the methodology used to calculate Horizon 2020 error rates has taken into account European Court of Auditors’ observations made in their 2018 and 2019 Annual Reports. The methodology applied as such is described in Annex 5, while the impact of ECA’s observations on the error rates is detailed in Annex 7.

For COSME, the multi annual residual error rate at the end of 2021 is 2,90% (2,96% in 2020), above the materiality threshold of 2%. However, as this programme meets the cumulative criteria to fall below the “de minimis rule”, EISMEA has lifted the reservation issued in AAR 2020. It is noted that the mitigating measures of the action plan that was put in place in 2020, following the introduction of the reservation on the COSME programme in 2020 AAR, continued to be implemented in 2021. The actions had already a slight positive impact on the multi annual residual error rate of the programme at the end of 2021<sup>23</sup>, which evolved at 2,90%. Details about the calculations of the “de minimis rule” are shown in Annex 9, while a list of the mitigating measures implemented in 2021 is included in Annex 7.

**Qualitative benefits:** The ex post controls have a deterrent and learning effect for beneficiaries, helping to reduce errors in future cost declarations and demonstrating that their probability to be audited is not negligible. Feeding back results and findings from ex-post audits contributes to the improvement of ex ante controls and clarification of rules and guidance.

Details of multi-annual residual error rates based on ex post audits, as well as the impact of Covid-19 pandemic on achieving audit targets are shown in Annex 7.

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<sup>8</sup> The ex post audit methodology is explained in Annex 5.

<sup>9</sup> Source: CHAFEA AAR 2020 Annexes

<sup>10</sup> Estimated for EISMEA AAR 2021 as follows: Average detected error rate 0,85% - Average recoveries and corrections rate 0,50% (both % available in table X of DG GROW AAR 2020) = 0,35%. DG GROW does not report on residual error rates, despite this has been established as a control objective in their materiality criteria.

<sup>11</sup> The residual error rate for Horizon 2020 for the whole Research and Innovation Family is 1,60%.

## **Procurement and other type of expenditure (payment of experts, of administrative arrangements and service level agreements)**

Beside grants, the EISMEA carries out payments of other type of expenditures (procurement, experts, administrative arrangements and service level agreements). This share of payments and the operating budget are considered low risk expenditures. In line with previous years, the Agency applies a prudent approach by using a conservative 0,5% error rate. This type of expenditure is only verified through ex ante controls. Therefore there are no future corrections.

### ***Cost effectiveness: costs and benefits per stage***

As of 1 April 2021, EISMEA has, apart from the legacy programmes, taken over a new portfolio of delegated programmes and was also entrusted to deal with the EIC fund. Following the delayed approval of the MFF, the new programmes were consequently adopted with delay. The EIC blended finance/EIC Fund (under Horizon Europe) also faced some initial implementation delays which EISMEA raised as a potential critical risk in 2021 for the risk register 2022. The risk was mitigated at the end of 2021 with an agreed mechanism, endorsed by the lead parent DG and central services for beneficiaries to receive the agreed financing. This informal agreement is subject to a formal confirmation in a Communication by the services to the College that has not yet been adopted at the date of the signature of the AAR 2021.

On one hand, the Agency had to adjust the legacy programmes following the new MFF, on the other hand, new procedures for the newly delegated programmes needed to be established.

This situation related to the transition of the Agency together with the late adoption of the MFF and of the programmes resulted in the fact that none of the new programmes completed the full project cycle in 2021. Therefore, it is not possible to quantify the benefits of newly delegated programmes for the year 2021.

<b>STAGES</b>	<b>BENEFITS</b>	<b>staff costs</b>	<b>external /other costs</b>	<b>COSTS</b>
<b>Stage 1</b>	<b>80,050,891.81 €</b>	5,507,131.89 €	412,785.00 €	<b>5,919,916.89 €</b>
<b>Stage 2</b>	<b>970,902.39 €</b>	4,279,392.13 €	- €	<b>4,279,392.13 €</b>
<b>Stage 3</b>	<b>49,689,992.01 €</b>	19,970,496.59 €	- €	<b>19,970,496.59 €</b>
<b>Stage 4</b>	<b>397,715.79 €</b>	331,873.80 €	84,360.46 €	<b>416,234.26 €</b>
<b>TOTAL</b>	<b>131,109,502.00 €</b>	<b>30,088,894.41 €</b>	<b>497,145.46 €</b>	<b>30,586,039.87 €</b>

Table 4: Costs per stage

The above table<sup>12</sup> gives an overview of costs per stage<sup>13</sup>. The staff costs of controls related to the four stages of grant management have been estimated taking into account (i) direct costs, namely the staff of the operational and finance units directly dealing with grant management and (ii) indirect and overhead costs by applying an allocation key. The external costs include expenses paid for evaluation experts, missions, and the external contractor dealing with ex-post control audits. As regards Horizon 2020, the audits are performed by the Common Audit Service (CAS)<sup>14</sup>.

Note that EISMEA needed to fill more than 60 posts to undertake the duties required by the new mandate. As the selection procedures took a considerable time, many EISMEA units found themselves in urgent need of help to meet the targets and deadlines. As a consequence, the Agency hired a higher number of colleagues with short-term (interim) contracts and the results of individual units and programmes were achieved with this significant contribution.

### **Amount at risk at payment and at closure**

EASMEA's portfolio of grants, consists of segments with a relatively low error rate, i.e. Consumer Programme and Standardisation, and a few segments with a relatively high error rate, i.e. COSME and H2020.

For Consumer Programme and Standardisation, this is, respectively, thanks to the performance of the related control systems and the inherent risk profile of beneficiaries (e.g. organisations, educational bodies). For H2020 and COSME, the relatively higher level of error in grants is linked to the applicable funding model (based on actual costs) and to the profile of some beneficiaries of the programme such as: "one-time beneficiaries", which are not used to EU funding rules, small entities which do not have a robust financial management system in place and - for COSME - also beneficiaries located in third countries with limited knowledge of EU rules.

For those latter segments with control weaknesses, most of the errors relate to incorrect claims for personnel costs that are mainly due to beneficiaries' lack of thorough understanding of the rules.

As regards Horizon 2020, given the results of the audit campaign up until 2020, and the observations made by the European Court of Auditors in its Annual Reports, the Common Implementation Centre, in close cooperation with central Commission services, is defining actions aimed at significantly simplifying the rules, and paving the way for a significant reduction of the error rate in Horizon Europe. Actions were undertaken including further simplification, increased use of simplified forms of funding (including lump sums and unit costs), focused communication campaigns to more "error-prone" types of beneficiaries with higher than average error rates, such as SMEs and newcomers, and enhanced training to

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<sup>12</sup> The allocation of ex-ante controls is estimated being 15% for stage 1 and 2, and 70% for stage 3.

<sup>13</sup> For information about the benefits see annex 7, part B

<sup>14</sup> For more details on the costs dedicated to ex post audits and the related benefits, covering all implementing bodies of the Research family (DGs, executive agencies and joint undertakings) please refer to DG R&I Annual Activity Report.

external audit firms performing audits on behalf of the Commission (the last three measures also target H2020 grants and beneficiaries). Focusing on the most common errors, these events will be straightforward, reaching more participants and achieving higher impact. In the context of further reducing the error rates, the Common Implementation Centre will revisit the existing tools for ex-ante controls. It will consult the stakeholders in order to collect their views on possible improvements in the grant management risk module.

For COSME, management actions taken to address these weaknesses include clearer communication of eligibility rules to beneficiaries, reinforced risk-based ex ante checks and extension of the use of lump-sum financing. EISMEA continuously aims to reduce the level of errors for the COSME programme. These mitigating measures were launched in the course of 2020.

Lastly, as regards Horizon Europe, 2021 was the first year of implementation of the framework programme. The adoption of its Regulation later than initially planned, delayed the starting of its implementation<sup>15</sup>. By the end of 2021, only a very limited number of payments were executed. Taking into account the immaterial level of the relevant expenditure (EUR 0,27 million), the low-risk nature of the associated transactions and the absence of ex-post audit results for grants, a rate of 0.5 % is a fair estimate of the Horizon Europe detected error rate in 2021.

The **estimated overall risk at payment** for 2021 expenditure amounts to €16,21 million. This is the AOD's best, conservative estimate of the amount of relevant expenditure during the year not in conformity with the contractual and regulatory provisions applicable at the time the payment was made. It represents 1,65% of EISMEA's total relevant expenditure for 2021, lower than the one for 2020 (2,45%). This is mainly due to the decrease of the detected error rate in Horizon 2020 and COSME programme, thanks to the measures described above, and the decrease of the relevant expenditure of Horizon 2020 grants.. In particular, as regards the decrease of the detected error rate for Horizon 2020 in year 2021 (from 2,95% to 2,29%), this could be due, among other reasons, to the beneficiaries' increased knowledge of the eligibility rules and its inherent learning curve, as well as to the results of the communication campaigns, targeted webinars and trainings, addressed in particular to newcomers and SMEs.

The above-mentioned expenditure will subsequently be subject to ex-post controls and a proportion of the underlying errors will be detected and corrected in subsequent years. The conservatively estimated future corrections for 2021 expenditure amount to €1,48 million, representing 0,15% of the relevant expenditure.

The difference between those two amounts results in the **estimated overall risk at closure** of €14,72 million, representing 1,50% of EISMEA's total relevant expenditure for 2021 (2,22% in 2020). This is a decrease of 32,43% mainly due to the decrease of the detected error rate in Horizon 2020 programme and the increase of its share in the relevant expenditure.

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<sup>15</sup> End 2021, for the R&I family 64 calls for proposals had been fully evaluated and only 19 grant agreements had been signed.

EISMEA's relevant expenditure, its estimated overall risk at payment, estimated future corrections and risk at closure are set out in Table X: Estimated risk at payment and at closure<sup>16</sup>.

For an overview at Commission level, the DGs' and Agencies' estimated overall risk at payment, estimated future corrections and risk at closure are consolidated in the AMPR.

EISMEA	Relevant expenditure	Estimated risk (error rate %) at payment		Estimated future corrections and deductions		Estimated risk (error rate %) at closure	
	(1)	(2)	(3)		(4)		(5)
	m EUR	m EUR	%*	m EUR	%*	m EUR	%*
Operational budget:							
Horizon Europe 2021-2027-grants	0,27	0,00	0,00%	0,00	0,00%	0,00	0,00%
Horizon Europe 2021-2027-others	2,19	0,01	0,00%	0,00	0,00%	0,01	0,00%
H2020-grants	604,45	13,84	1,41%	1,39	0,14%	12,45	1,27%
H2020-financial instruments	250,00	1,25	0,13%	0,00	0,00%	1,25	0,13%
H2020-others	6,82	0,03	0,00%	0,00	0,00%	0,03	0,00%
COSME 2014-2020-grants	13,85	0,44	0,05%	0,04	0,00%	0,40	0,04%
COSME 2014-2020-others	23,81	0,12	0,01%	0,00	0,00%	0,12	0,01%
COSME 2021-2027-grants	0,00	0,00	0,00%	0,00	0,00%	0,00	0,00%
COSME 2021-2027-others	0,34	0,00	0,00%	0,00	0,00%	0,00	0,00%
Consumer 2014-2020-grants	9,38	0,11	0,01%	0,03	0,00%	0,08	0,01%
Consumer 2014-2020-others	8,59	0,04	0,00%	0,00	0,00%	0,04	0,00%
Consumer 2021-2027-grants	0,00	0,00	0,00%	0,00	0,00%	0,00	0,00%
Standardisation 2014-2020-grants	6,23	0,05	0,01%	0,02	0,00%	0,03	0,00%
LIFE**	13,15	0,09	0,01%	0,00	0,00%	0,09	0,01%
EMFF**	0,17	0,00	0,00%	0,00	0,00%	0,00	0,00%
<b>Sub-total</b>	<b>939,25</b>	<b>16,00</b>	<b>1,63%</b>	<b>1,48</b>	<b>0,15%</b>	<b>14,52</b>	<b>1,48%</b>
Operating budget	<b>41,72</b>	<b>0,21</b>	<b>0,02%</b>	<b>0,00</b>	<b>0,00%</b>	<b>0,21</b>	<b>0,02%</b>
<b>Total EA (operational+ operating)</b>	<b>980,97</b>	<b>16,21</b>	<b>1,65%</b>	<b>1,48</b>	<b>0,15%</b>	<b>14,72</b>	<b>1,50%</b>
* % of the total relevant expenditure							
**LIFE and EMFF programmes were transferred to The European Climate, Infrastructure and Environment Executive Agency (CINEA) as from 01 April 2021, according to Commission Implementing Decision (EU) 2021/173							

Table x: Estimated overall risk at closure

## b. Fraud prevention, detection and correction

The predecessor of the Agency has developed and implemented its own anti-fraud strategy since 2013, on the basis of the methodology provided by OLAF. It was last updated in 2017 and its action plan in 2018. Following the adoption of the Commission's anti-fraud strategy

<sup>16</sup> For more detailed information please see annex 9

and the revision of the Common anti-fraud strategy in the Research Family in 2019, the Agency had started the revision of its own anti-fraud strategy in 2020, in close cooperation with OLAF. The revision was not completed in 2021, as it was decided to be put on hold, till the upcoming revision of the Common anti-fraud strategy in the Research Family.

The implementation of the Agency's anti-fraud strategy is being monitored and reported to the management in a way that is synchronised with the annual Strategic Planning and Programming (SPP) cycle (i.e. twice per year, through the Mid-year Report and Annual Activity Report).-

The current anti-fraud strategy has been largely implemented, taking due account of the available resources, and with respect to its core components, such as fraud risk assessment endorsed by the Management, a fraud prevention and detection awareness session for staff, meetings of EISMEA's Anti-Fraud Committee to discuss potential fraud cases, participation and sharing of experiences in the Fraud Prevention and Detection Network and the Fraud and Irregularities Committee. The main action pending for completion is the revision of the Agency's anti-fraud strategy.

EISMEA also contributed to the Commission anti-fraud strategy by following up the financial recommendations issued by OLAF for 2017-2021. The Agency has fully implemented four out of 12 financial recommendations (33,33%). Out of the remaining eight not implemented recommendations (66,66%), three were transferred to other Agencies as of 1 April 2021, while another three are under legal analysis. One recommendation faces implementation difficulties related to bankruptcies and liquidation procedures of the concerned entities. In this case, the recovery procedure stays on hold until the liquidation procedure is concluded and the dividends from the liquidation – if any – are distributed amongst the creditors. The last recommendation concerns a case of which the OLAF report was issued within the year and the implementation is currently ongoing.

In total, OLAF opened 15 cases for preliminary checks, within the year, out of which so far eight cases have been dismissed, three have led to the opening of formal investigations concerning the Agency's beneficiaries, while for the remaining four the preliminary checks are still ongoing.

The results achieved during the year thanks to the anti-fraud measures in place can be summarised as follows:

- Timely and successful cooperation with OLAF on ongoing and new selection and investigations cases related to beneficiaries of projects funded by the Agency.
- Updating the fraud-related risks in EISMEA's risk register and ensuring that their residual part remains within acceptable level.
- Active participation and sharing best practices in the Fraud Prevention and Detection Network and the Fraud and Irregularities Committee in the frame of preventive activities.
- Organisation of anti-fraud training for EISMEA staff, to raise anti-fraud awareness and to maintain and promote an anti-fraud culture within the Agency.

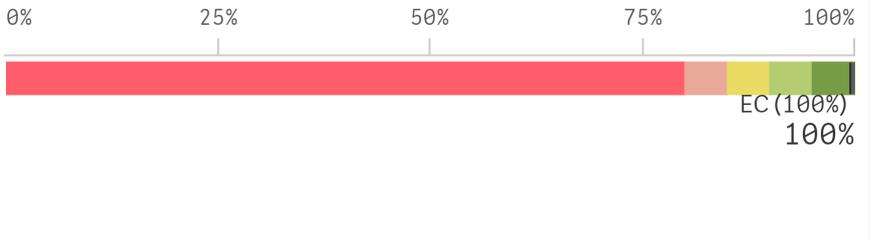
On the basis of the available information, EISMEA has reasonable assurance that the anti-fraud measures in place are overall effective. The upcoming anti-fraud strategy of the

Agency will address anti-fraud matters in a customised manner vis-à-vis the structure and programmes of the new Agency in alignment with the objectives of the Commission’s Anti-Fraud Strategy and of the upcoming Common Anti-Fraud Strategy in the Research Family.

**2. Efficiency of controls**

After having considered the control efficiency ratios for each of the four stages of controls described above, EISMEA concludes that its activities have been carried out in an efficient manner. Figures for time to inform, time to grant and timely payments were within target for almost all programmes as outlined in: Executive Summary B (Key Performance Indicators), Annex 4 (financial scorecard) and Annex 7 (efficiency indicators per programme).

In 2021, EISMEA processed some 3835 payments on the operational budget where 99,2% of the total payment accepted amount was done within the legal deadlines while on the operating budget, some 476 payments were processed where 99,8% of the total payment accepted amount was done within the legal deadlines.

Timely Payments	IEEA Score	EC Score
	<b>100%</b>	<b>100%</b>

The agency’s result demonstrates that the financial and internal control procedures that EISMEA has put in place are functioning efficiently.

**3. Economy of controls**

The calculation of the cost of controls was done taking into account the number of relevant Full Time Equivalent (FTE)<sup>17</sup> working in each function related to the pertinent control stage and taking into account other costs related to external experts.

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<sup>17</sup> FTE includes also 17 interim staff members that have been employed in 2021 to implement the delegated programmes for the reasons explained above in the ‘Cost effectiveness of cotrols’ section

	Costs of controls	Amounts managed	Ratio costs/amount
Ex-ante controls (operational budget)	EUR 30.169.806	EUR 952.622.379	3,17%
Total amount of ex-post controls in 2021	EUR 416.234	EUR 3.680.861	11,31%
Overhead costs of the Agency	EUR 4.401.128	EUR 952.622.379	0,46%
<b>Total cost of controls</b>	<b>EUR 34.987.168</b>	<b>EUR 952.622.379</b>	<b>3,67%</b>

Table 6: Cost of Controls

The table above gives an overview of the Agency's ratio of cost of controls over the total amounts managed. Given that the Agency started its mandate on 1 April 2021 and many projects are only in the initial stage of the implementation, when all the benefits cannot be quantified yet, the total costs of controls are relatively high in 2021.

#### 4. Conclusion on the cost-effectiveness of controls

Based on the most relevant key indicators and control results, EISMEA has assessed the effectiveness, efficiency and economy of its control system and reached a positive conclusion on the cost-effectiveness of the controls for which it is responsible.

As EISMEA is a newly established agency, the costs are higher than the benefits in 2021. This can be explained by the fact that the newly delegated programmes did not finish the full project cycle yet. For the legacy programmes, the controls are considered overall effective and efficient.

In the following years, EISMEA will manage an important budget of more than EUR 10 billion, while the costs of controls are not expected to rise significantly. This will lead to more balanced cost-effectiveness in the future reporting years.

#### 2.1.2. Audit observations and recommendations

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

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

### **Internal Audit Service**

Three IAS audits are currently in progress:

Fieldwork is on-going and supporting documents are being collected for:

- *Audit works on Preparedness of the management and control systems for the implementation of the EIC: the audit started on 26 November 2021.*
- *Audit on Protection of personal data of beneficiaries (Executive Agencies and the Common Implementation Centre); the fieldwork was ongoing at the end of 2021*

*Audit on Implementation of audit results in H2020 (RTD/CIC, CNECT, ERCEA, REA, CINEA, EISMEA): Final audit report was issued by IAS on 27 January 2022*

There are no critical or very important IAS recommendations overdue for more than 6 months from the previous audits.

Drawing on audit work carried out in previous years, in February 2022<sup>18</sup> the IAS issued EISMEA with a limited conclusion on the state of internal control as follows:

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

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

### **European Court of Auditors**

**Administrative budget:** The Court expressed the opinion that the Agency's 2020 annual accounts presented fairly its financial position. The transactions underlying the annual accounts were legal and regular in all material aspects. One observation was raised related to the ex-post internal controls over contractor mark-up of prices under framework contract relating to IT. 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:** Details of the sampled transactions of the ECA audits performed on the operational budget, in the context of DAS 2020 and DAS 2021, along with the related results, can be found in Annex 7.

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<sup>18</sup> Ares(2022)1053510

In the course of 2021 there were also two ongoing **performance audits**, one of them launched in 2020 and the second in 2021. The Agency has undertaken corrective actions to address ECA's observations and recommendations of the finalised audits.

As a newly established agency, EISMEA takes note of the observations outlined in the 'ECA's annual report on the Executive Agencies for the financial year 2020' and those of previous years as it sets up its procedures and work flows.

For detailed information on the on-going audits please consult Annex 7.

### **Implementation of the EU budget in the context of the current crisis (COVID-19 pandemic)**

During the risk identification exercise, EISMEA did not encounter any significant problems linked to COVID-19 that would affect the implementation of the EU budget. There were only a few individual cases of delays of budget implementation and those are fully registered in the EISMEA register of exceptions and non-compliance events.

#### **2.1.3. Assessment of the effectiveness of internal control systems**

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

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

The Agency monitors the performance of its internal control systems to make sure that any weakness in the system is detected, analysed, improved and corrected with cost effective measures if necessary. The reviews are based on the following sources of data: i) results of an internal control survey for staff and managers, ii) follow up on the implementation of the actions in the action plan iii) conclusions on the registry of exceptions and non-compliance events recorded during the year, iv) results of the risk assessments and related action plan, v) relevant audit results, vi) results of the monitoring of the anti-fraud action plan and vii) declarations of assurance by Authorising Officers by sub-delegation. The assessment of the effectiveness is based on these sources of information and professional judgement.

The Assessment of Internal Control systems was predominantly positive, as it was evaluated positively by 89% of managers and 85% of staff. Nevertheless, it has revealed room for improvement in the areas of the following internal control principles, principle 9 (Identifies

and analyses significant change), principle 11 (Selects and develops general control over technology and principle 14 (Communicates internally).

Regarding the priority areas of Internal Control, the Agency reflected the COVID-19 pandemic as follows:

### **Business Continuity**

To ensure a smooth transition to the new Agency avoiding any business disruptions, the list of critical staff was updated in NOAH IT tool and a new Continuity Management team was formed by EISMEA management. Business Continuity Plan of the Agency was equally reviewed and adapted to reflect recent changes in April 2021. In addition, new Record of Personal Data Processing Activity and Data Protection Notice were published to cover the use of various Private Messenger(s) by the Agency's staff for the business continuity purposes.

### **Awareness raising and communication activities**

The Internal Control Team adapted the relevant guidelines and templates of the new Agency. All changes were communicated to the management and staff as appropriate, and the relevant information remains accessible in its updated version on the EISMEA Intranet.

EISMEA's Internal Control team participated in the operational units' remote meetings to raise awareness about internal control in general as well as specific pertinent issues, such as results of the assessment of Internal Control systems.

EISMEA initiated the "Internal Control Awareness week" in October 2021 that was organised in cooperation with all other Executive Agencies. This set of events brought closer to staff members the most important topics of internal control, such as risk assessment, exceptions and non-compliance reporting or internal control assessment.

EISMEA also set up an Internal Control network to raise awareness about internal control related issues and to coordinate exercises smoothly across the Agency. Members of this network are coming from all the units of the Agency to ensure that everybody is well informed about the latest development with regard to internal control issues.

As for other important areas of Internal Control:

### **Exceptions, non-compliance events and internal weaknesses**

EISMEA recorded duly all the cases of non-compliance reports and exception requests in the register during the year. 16 cases of deviations were registered throughout the year<sup>19</sup>. 14 of them referred to non-compliance events, i.e. to overriding of controls or deviations from established processes or procedures detected a posteriori, and the other two were exceptions requests. Although the number is relatively high, it can be justified by the combination of

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<sup>19</sup> Only period between 1 April and 31 December 2021 is taken into consideration with regard to the new Agency

factors related to the new portfolio of the Agency, late adoption of Horizon Europe, an increased number of newcomers coming to EISMEA, issues with IT tools and the situation around COVID-19 pandemic.

## **Risk Assessment**

In accordance with the Internal Control Framework (ICF)<sup>20</sup>, the Agency ‘identifies risks to the achievement of its objectives across the organisation and analyses risks as a basis for determining how the risks should be managed’.<sup>21</sup> On this basis, in May, and also in October 2021, EISMEA conducted its first risk assessment exercises to identify and assess risks at various levels of the Agency. The results of the exercises showed that the Agency does not have any critical risks and has currently two cross cutting risks. These two risks concern inconsistent methodology applied in the delegation of additional budget to the executive agencies, and also the lack of implementation of the EIC blended finance. EISMEA’s risk register was presented to the Steering Committee on 15 December 2021. For all the identified risks, an action plan with related milestones and deadlines was created and its respective implementation is monitored accordingly.

## **Reservations and audit recommendations**

There are no reservations to any of the programme managed delegated to the Agency. No other financial or reputational reservation has been issued. There are no critical or very important recommendations from IAS, Court of Auditors or other supervisory body overdue for more than 6 months.

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

### **2.1.4. Conclusions on the assurance**

The information reported in Section 2.1 stems from the results of management and auditor monitoring contained in the reports listed. These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a comprehensive coverage of the budget delegated to the Director of EISMEA. This is confirmed by the statement of the Head of Department in charge of risk management and internal control in annex 1.

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<sup>20</sup> EISMEA continues following the Revised ICF formally adopted by EASME (the legal predecessor of EISMEA) to apply by analogy as of the 1st January 2018 - Ares(2018)1611647.

<sup>21</sup> Principle 7, Revised Internal Control Framework C(2017) 2373

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 5 of this report.

**Evolution of 2020 AAR reservation**

For COSME, the multi annual residual error rate at the end of 2020 was 2,96%, above the materiality threshold of 2%. As this programme did not meet the cumulative criteria to fall below the ‘de minimis rule’ at that time, EASME had issued a reservation related to the COSME programme 2014-2020.

Following the introduction of the reservation on the COSME programme, an action plan with mitigating measures was put in place already in 2020, which continued to be implemented in 2021 as well. The actions had already a slight positive impact on the multi annual residual error rate of the programme at the end of 2021, which evolved at 2,90%.<sup>22</sup>

Despite the fact the residual error rate still remains above the materiality threshold of 2%, EISMEA has lifted the reservation issued in 2020 AAR, as COSME programme meets the cumulative criteria to fall below the ‘de minimis rule’,. In particular, the reservation is deemed not substantial since COSME segment represents less than 5% of EISMEA’s total operational payments (2,66%) and has a financial impact below EUR 5 million (0,40 million).

The table below summarises the evolution of the COSME reservation between 2020 and 2021:

Reservation Title	Financial Impact (in m EUR)		Residual error rate 2021*	Evolution
	2020	2021		
COSME programme 2014-2020	2.04 M	0.4M	2.90%	Lifted (thanks to de minimis' rule )

At the end of 2021 EISMEA had no critical, new or outstanding audit recommendations, nor a combined effect of a number of very important recommendations. Audit recommendations were addressed within a reasonable time frame without significant delays. Following the reception of the new guidelines on 14 December 2021, the implementation period of the IAS recommendations on the ‘*Audit on the implementation of anti-fraud actions in the research area*’ was revised and an extension of the deadline till 31 March 2022 was proposed by the Agency<sup>23</sup>

<sup>22</sup> Comprehensive results in terms of lower error rates are expected as from the 2022 AAR, as some of the measures of the action plan will take time to produce a tangible impact.

<sup>23</sup> For more details, see section ‘2.1.2. Audit observations and recommendations’

Other internal control objectives (reliable reporting, safeguarding of assets and information; and the prevention, detection and correction of fraud and irregularities) for both expenditure and/or revenue operations were respected.

**In conclusion, based on the elements reported above, 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.**

### 2.1.5. Declaration of Assurance

#### **Declaration of Assurance**

*I, the undersigned, Jean-David Malo*

***Director of the European Innovation Council and SMEs Executive Agency (EISMEA)***

***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 (24).***

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

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

***Confirm that I am not aware of anything not reported here which could harm the interests of EISMEA or those of the Commission".***

***Brussels, 31 March 2022***

***(signature)***

***Jean-David Malo***

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

## 2.2. Modern and efficient administration – other aspects

### 2.2.1. Human resource management

Since EISMEA's establishment, a top priority has been to attract and retain the best talents to enable the Agency to become operational as soon as possible, while ensuring a healthy working environment during the COVID-19 pandemic.

#### **Building up and reaching out**

In the first months of the year, the agency ensured a smooth transfer of colleagues coming from the Commission and other Executive Agencies as well as the redeployment of EASME staff. It also encouraged mobility opportunities within the agency thanks to a “building teams job fair” which took place in March 2021. This exercise resulted in 80% of staff requests being met, enabling staff members to change from their pre-allocated position.

More than 60 new posts needed to be filled to complete the different units and teams within EISMEA. To attract and hire the very best candidates, the Agency used a broad range of recruitment channels combined with competency-based assessments.

EISMEA launched a total of 61 selection procedures of which 18 were external procedures to establish reserve lists (six for temporary agent posts and 12 for contract agent posts). EISMEA published three procedures in the framework of the inter-agency market for contract agents, and participated in two joint-recruitment procedures with other Executive Agencies. In total, the agency screened more than 1000 CVs and conducted over 300 interviews.

The recruitment of six [EIC Programme Managers](#) represented a major milestone for the agency in 2021. These highly skilled experts will identify, develop, implement and promote frontier technological visions, and nurture potential market creating innovation out of EIC-funded projects and activities. Their official appointment is expected to be completed by end of January 2022.

On 31 December 2021, EISMEA employed 370 staff, achieving 88% of its staffing plan. In addition, EISMEA agreed to share its reserve lists reinforcing synergies and efficiencies in recruitment with the other Executive Agencies.

#### **Shaping a new Agency and creating a new organisational culture**

In 2021 the agency undertook a number of initiatives to help create a sense of belonging while working remotely, with a view to achieving three goals:

**1. Establishing EISMEA as an outstanding employer through listening to staff and promoting dialogue.** Initiatives included: two Town Hall meetings for all EISMEA staff to discuss issues openly with the Director of the agency; regular informal “coffee” meetings for small groups of staff with senior management; a weekly open door slot for

staff members to speak to the director one-to-one. The initiatives engaged hundreds of staff members and led to changes such as the introduction of: a principle of no internal meetings on Thursday afternoons – to enable staff to organise their time and focus; regular lunchtime sessions with HR – an opportunity to raise questions and better understand rules and procedures.

In parallel, EISMEA was the first Executive Agency to elect its Staff Committee in November 2021. The elected members have since held a regular and constructive dialogue with the Agency's Director.

**2. Building up a vibrant and inclusive working environment.** Activities included: the creation of “**EISMEA Initiatives**” – a space for staff to collaborate and work together on issues (such as the environment or equality) that matter to them; the launch of an agency magazine “**Backstage@EISMEA**” in December; and “**Coffee Connections**” – a daily opportunity to meet colleagues in person (run during the period when staff were able to return to the office and in adherence with COVID rules).

**3. EISMEA as a beacon of innovation.** Initiatives included: a **series of TED-style lunchtime talks from top innovators** (including Riccardo Zacconi founder of King and Alvine Trémoulet, Global Diversity & Inclusion Lead, Pfizer) which staff from the entire European Commission are now able to join; a **digital ideas lab** where staff members can post great ideas to improve agency life. The most fruitful ideas from the lab will start to be implemented in 2022.

### **Implementing a modern HR service**

During 2021, EISMEA invested strongly in the increased use of online tools to ensure the selection of the best talent during the COVID-19 pandemic. Following the successful pilot of an online testing tool for written tests in 2020, EISMEA was able to deliver a fully functional and entirely digital online selection process (including online application platform, online testing and interviewing). This modernisation also included the rollout of new Sysper modules (including the module on probation report, ethics, CCP, 65+).

Throughout the year, the Agency followed the national and European Commission instructions regarding the COVID-19 pandemic, notably relating to telework and returning to the office. During the brief period where a partial return to the office became compulsory, EISMEA put in place training on resilience to support staff and managers in the return phase.

### **Staff engagement: facilitating career development and increasing synergies among Executive Agencies**

In November 2021 the six Executive Agencies successfully launched an open-ended inter-agency job shadowing exercise. The programme received 10 applications in the first month, 40% of which were with EISMEA participants (mostly as hosts).

Work to increase the synergies and efficiencies of Executive Agencies by harmonising processes resulted in an agreed methodology for reclassification common to all Agencies. Work continues on a harmonised use of job titles and the Executive Agencies are also making efforts to launch joint recruitment procedures for temporary agents and contract agents. Put together, these results will greatly benefit staff mobility and increase transparency as regards career progression across the institutions.

In 2021 the European Commission's staff survey was launched. EISMEA will assess the results once they are released in 2022 and develop an action plan to address specific issues raised by EISMEA's staff.

### **Promoting gender balance**

The Agency made some significant progress, reaching 45% of its middle management as female appointments and 53% of its most senior staff (AD and CA FGIV). It was also instrumental in shaping and launching the very first inter-agency Women Talent Programme. The selection of candidates was completed, and the programme will start in early 2022 with 36 female colleagues. This initiative - open to both contract agents and temporary agents - is a benchmark in the field of gender equality.

#### **2.2.2. Digital transformation and information management**

Driving the digital modernisation of the Agency, its two flagship programmes, the European Innovation Council (EIC) and the Enterprise Europe Network (EEN), made significant progress in developing and launching new features to support the SME and innovation landscape.

The new EEN Community platform enables members of the network to enhance their business, find new collaboration opportunities and monitor their activities, plan and follow events and training sessions. The platform is built on existing reusable solutions within the Institutions and is continuously being improved to adhere to the digital strategy principles of the Commission.

Improvements and new developments of the EIC suite of tools have also been carried out in 2021 including many aspects of the EIC new Submission and Evaluation process.

The implementation of this digital modernisation – working in line with the European Commission's collaboration strategy and cloud strategy – remains largely on track.

In terms of data assets, the agency launched the process to create a data assets inventory setting a first milestone towards the implementation of the Data Governance of the Commission.

### **Data protection**

Throughout 2021 the Agency actively monitored compliance with the Data Protection Regulation (EU) N° 2018/1725 and adopted the yearly update of its Data protection action

plan, largely based on the Action Plan of the Commission (cf. C(2018) 7432 and its review C(2020) 7625).

EISMEA took a number of steps to ensure compliance with data protection rules, including:

- Regular awareness raising and training opportunities for staff and management including data protection clinics, training for newcomers and establishing data protection contact persons.
- Register of records of all data processing operations in place in the Agency (updated at least bi-annually);
- Appropriate information to the data subjects concerned including on their rights through concise and intelligible data protection notices by data controllers;
- Update of internal procedures and templates to reflect the Agency's new identity, organisation and legal basis;
- Adoption of internal implementing rules clarifying the obligations on record keeping, procedures for data subject rights and allocation of resources for compliance.

In parallel, the Agency actively contributed to the IAS audit on data protection and the extensive field work after the extension of the scope and the kick off meeting in June 2021.

Finally the EDPS opened two investigations on data protection compliance of EU Institutions for the use of Microsoft 365 and Amazon cloud on which the Agency will be involved as data controller once the Commission Services have provided their contribution.

### 2.2.3. Sound environmental management

Given the situation of widespread remote working, activities in this area in 2021 focused on increasing hybrid video conference (VC) meeting rooms. A study was carried out in collaboration with DG SCIC to assess the state of play of available meeting rooms following the reorganisation of EISMEA's office space. As a result, EISMEA signed an agreement with DG SCIC for the installation of 9 hybrid meeting rooms in 2022.

The EC Guidelines for sustainable meetings and events have been widely circulated and are regularly applied by staff.

### 2.2.4. Initiatives to improve economy and efficiency of financial and non-financial activities

The agency advanced in both initiatives set out in its annual work programmet:

**- Increasing the use of digital platforms for HR services to ensure a more efficient and effective use of the administrative budget;** Efforts focused on successfully putting in place a fully digital recruitment process as detailed in section 2.2.1..

**- Increasing the use of collaborative IT tools to ensure that data becomes more searchable and shareable among staff.** The agency focused on the reorganisation and relaunch of Sharepoint, providing training and support for colleagues. It also began preparing the possible integration of EISMEA sharepoint with the new corporate sharepoint online. In addition, it began fostering the use of TEAMS as a collaborative tool, with specific info sessions for staff.