2021 Discharge to the Commission

WRITTEN QUESTIONS TO COMMISSIONER THIERRY BRETON
Hearing on 14 November 2022

Questions concerning horizontal issues

1. What role do you or your services have in the assessment of national Recovery and Resilience Plans, and what is the framework in place for assessing proposed investments and reforms, including in the areas of the green transition, digital transformation, smart, sustainable and inclusive growth, productivity, competitiveness, innovation, and a well-functioning Single Market with strong SMEs? Can you provide us with detailed information in this area? What monitoring actions of the implementation of investments and reforms by Member States do your services carry out?

Commission's answer:

According to a Commission Decision of 24 July 2020, DG ECFIN and SG-RECOVER are jointly responsible for steering the design and implementation of the Recovery and Resilience Facility (RRF), including the assessments of the Recovery and Resilience Plans (RRPs). Within the Commission, Country teams from all relevant services provide their expertise for the discussions with Member States. While SG-RECOVER and DG ECFIN are leading the assessment of the RRPs and payment requests, experts in DGs GROW, DEFIS and CNECT are able to provide input and specifically consulted where relevant throughout the assessment work. At political level, a Steering Board of Commissioners chaired by the President provides political guidance.

As regards the assessment process, the RRF Regulation provides a clear process and assessment criterion which the Commission has followed. An RRP is submitted by each Member State, and assessed – in its entirety – by the Commission. The assessment is based on 11 criteria included in Article 19 of the RRF Regulation and expanded on in Annex V of the RRF Regulation. They concern for instance the digital and green contributions of the RRP, including the achievement of the 20% digital target, the monitoring and control arrangements, and the cost estimate.

In accordance with the Recovery and Resilience Facility (RRF) Regulation, following the submission of the RRPs by the Member States (including investments contributing to the twin green and digital transition when relevant), the Commission assesses the plans and makes proposals for Council implementing decisions. DGs GROW, CNECT, and DEFIS support DGs RECOVER and ECFIN in assessing the RRPs in line with the assessment criteria outlined in the RRF Regulation. Throughout the process, the DGs provide their expertise in the dialogue with the Member States and in the analysis of draft reforms and investments submitted by the Member States.
The pillars set out in the RRF regulation include measures for which DGs GROW, CNECT, and DEFIS are fully or partly responsible. During the assessment of the eligibility check of the plans, the three DGs contribute to assess whether the RRP meets the formal eligibility criteria and help identify aspects of the draft RRP where improvements can be made for the pillars under their responsibility. As part of the eligibility check, the DGs ensure that the RRPs take into account GROW, CNECT, and DEFIS relevant country-specific challenges and priorities related to micro-economic and single market, digital (including the alignment with the Commission’s digital priorities and their potential to address MS-specific digital strengths and challenges), and aerospace and defence issues as identified in the context of the European Semester.

As the RRF is a results-based instrument, the achievement of milestones and targets of reforms and investments are required before the disbursement of funds. DGs GROW, CNECT, and DEFIS assist in the assessment of whether these achievements have been satisfactorily fulfilled, building on the monitoring process leading up to the submission of payment requests by the Member State.

Further information on the progress on the implementation of the national recovery and resilience plans by Member States is provided on the Recovery and Resilience Scoreboard website.


In line with the Regulation, the Commission therefore has assessed whether the RRP, as a whole, contributes appropriately to all six pillars. This criterion was first assessed by ECFIN and SG-RECOVER as lead DGs. DGS GROW, DEFIS and CNECT were involved through its experts in the cross-DG country teams that were informed and consulted throughout this process.

2. What activities have your services carried out to prevent barriers to the free movement of goods within the EU, and in particular, which actions were taken in the area of public procurement? What shortcomings have you identified concerning the implementation of the Resilience and Recovery Plans and the management of the expenditure of other EU Funds?

**Commission’s answer:**

The Single Market is central to functioning supply chains, for the free movement of persons and the access to services and goods, especially in times of difficulties. Recent events such as the COVID-19 crisis and Russia’s invasion of Ukraine have shown that some of the current rules and tools for the Single Market are insufficiently adapted to crises and emergencies.

For this reason, the Commission proposed a Single Market Emergency Instrument to ensure greater transparency and coordination when a critical situation emerges. This will help mitigate the harmful impacts on the Single Market, safeguard the free movement of persons, goods and services and maximise the availability of products needed in the crisis response.
On a continuous basis, the Commission monitors progress in eliminating barriers in the Single Market and publish an annual Single Market report and Scoreboard as part of this monitoring and to facilitate the dialogue with Member States.

Single Market Enforcement Task Force (SMET) became a key vehicle where the Commission and Member States work together on concrete projects, in a meaningful and result-oriented collaboration with the aim of removing barriers in the Single Market. SMET looks beyond the legal obligations and focuses on real problems that citizens and businesses face in the Single Market.

In the framework of the implementation of the SME Strategy, the Commission supports Member States’ use of the EU’s public procurement framework and ensure transparent, open and competitive system of public procurement. It adopted guidance (in May and June 2021 respectively) that further clarify the legal framework and share best practice in order to helping public buyers integrate social considerations into public procurement, as well as boost innovation procurement. As a follow-up, DG GROW held a series of webinars aimed at promoting sustainable procurement and disseminating good practice (i.e., for including green and social criteria in procurement procedures). Furthermore, to foster the participation of SMEs, the Commission has launched a number of actions to foster the use of public procurement of innovation and green procurement, such as the “Big Buyers for Climate and Environment” initiative or the “Innovation Procurement Brokers”. In fact, preliminary evidence suggests that a strategic approach to public procurement tends to foster SMEs participation in procurement markets by promoting market engagement with a wider variety of operators, in particular SMEs and potential bidders from other EU Member States. The flexibility offered by the 2014 EU Public Procurement Directives aims to promote cross-border access of SMEs to public procurement opportunities in other Member States.

The European Commission takes its role as “guardian of the Treaties” very seriously by checking compliance with national rules and, when needed, launching infringement procedures. However, this work is not enough to prevent barriers to the free movement of goods within the EU. A strong commitment on the part of all the Member States is also needed:

First, there is of course the fundamental need to ensure compliance of national legislation and regulations with Single Market rules, in particular when a pre-notification system for goods and services is in place and the Commission, other Member States and stakeholders have expressed serious doubts as to the compatibility with the principles of free movement. In such cases, the final adoption of a national measure should be carefully considered and should only take place after due consideration of the objections received, without ignoring them, in a spirit of open dialogue and willingness to amend.

Second, national authorities’ attitudes to favour or support, directly or indirectly, national products or suppliers must be avoided. The negative impact of such behaviour is measured not only in terms of reducing the consumption of non-national products and services, but also by fuelling a nationalist and discriminatory culture for our consumers and citizens, which runs counter to the very nature and spirit of the internal market. A political shift, not just formal regulatory compliance is needed. And the recent crisis has made the need for such a spirit of solidarity and common understanding even stronger than before. This is why, for example, the Commission has paid and will continue to pay a lot of attention against unilateral measures aiming at imposing national restrictions to the export of products such as pharmaceuticals, protective equipment, construction materials or energy carriers.
The Public Procurement directives adopted in 2014 simplified rules and provisions, allowing Member States to use procurement as a delivery tool for many important policy objectives linked to the sustainability agenda. Their transposition was much delayed. 71 cases for non-communication were launched in 2016, all of them leading to the adoption of all the required measures to implement all the obligations of the Directives in all the Member States, the last of them achieving the transposition only in Spring 2020. Since then, the COM has launched 26 non-conformity procedures, in four packages in January 2019, October 2019, June 2021 and December 2021. Following COM action, most Member States have brought their legislation in line with the obligations under the PP Directives, allowing the Commission to close 13 cases, while 13 cases are still pending (notably, PL, DE, HU, IT, ES, PT and SI).

Moreover, between May 2016 and now, the Commission has taken other 36 decisions with regard to instances of bad application. Overall, the Commission has taken as many as 273 decisions for 117 cases in the public procurement area in this period.

In line with Article 16 of the Recovery and Resilience Regulation, a review report is published on the on the implementation of the Facility, with a quantitative assessment of the contribution of the recovery and resilience plans to the climate and digital targets, as well as to each of the six pillars.

3. Does the Commission provide technical support to potential beneficiaries in order to avoid risks of errors in absorption of the funds under direct management in the areas of single market, digitalisation, defence and connectivity?

**Commission’s answer:**

For proposers who request funding from Horizon Europe (HE), Digital Europe Programmes (DIGITAL), part of the Single Market Programme (SMP) and the European Defence Fund (EDF), general technical support is provided by the Funding and Tenders Portal, and is customized for each call for proposals, always looking for user-friendly systems.

All calls for proposals (for HE, DIGITAL, SMP/SME pillar, EDF and most other directly managed programmes) are published on the Funding and Tenders Portal with all the necessary information and links, which applicants need to submit a proposal. For DIGITAL, call documents which contain all the details for applicants needed to submit a proposal are developed. Applicants will find help by using the EU Funding & Tenders Portal Online Manual and the « IT How to » guide. For any other IT question or problem, applicants can contact a Helpdesk (IT Helpdesk webform). There is also a Research Enquiry Service for replies to questions on all aspects of application and grant funding. For the SMP/SME pillar, individual information sessions are organised for major calls and potential applicants benefit from the help provided in the EU Funding and Tenders Portal (see above).

The portal makes more than 20 templates for applicants available to use and find additional information. A large set of guidance documents on specific topics is available such as ethics, restricted calls and legal entity validation. Applicants can also contact the Commission directly by using the “Write to us” platform. The Europe Direct Contact Centre answers the questions directly or forwards them to the experts of the topics concerned. Frequently asked questions
(FAQs) are published in the Funding and Tenders Portal to the benefit of all other applicants and in order to assure equal treatment.

DG CNECT organises and/or participates in several information sessions for stakeholders throughout the year to share information and answer questions for potential applicants. Applicants under HE benefit from an established network of National Contact Points (NCPs) for support and questions. For EDF, there is a network of (EDF) National Focal Points that support potential applicants and beneficiaries in their home country. There are also EDF Information Days organised to introduce the calls for proposals and explain participation modalities to potential beneficiaries. The DIGITAL committee is informed regularly of any new guidance and can ask questions directly to the programme committee secretariat.

Additionally, in cases of new procedures special information documents and guidance are prepared for the DIGITAL committee members and extensive support provided via the programme committee secretariat. DG CNECT currently considers providing funding for network of national contact points (NCPs) specialised for DIGITAL.

The adoption of a corporate model grant agreement for Multiannual Financial Framework (MFF) 2021-27 reduced the differences of grant agreements between funding programmes considerably. Rules on eligible costs are to a large extent the same in each programme. Applicants can find explanation and examples in the common annotated grant agreement (EU Grants AGA — Annotated Grant Agreement). With the signature of the grants, DG CNECT allocates project officers and financial assistants to each project that provide support to beneficiaries on any project questions on grant implementation and to costs declarations they might have.

For grants in the HE Programmes, the Commission regularly organises dedicated webinars and coordinators’ days, explaining the details of grant management and providing a forum for discussing questions of beneficiaries.

In 2021 DG CNECT invested considerable communication efforts in promoting the DIGITAL and HE funding opportunities in multiple stakeholder events, engaging with the respective constituencies. Worth mentioning the participation in the R&I days1 and the organisation of the “Leading the Digital Decade” event2.

Various info days have also been organised under each programme, as well as NCP trainings where the network of NCPs and Programme Committee delegates have been provided background information on the respective calls.

Targeted workshops and info sessions have also been organised by DG CNECT focusing on specific work strands. An example is the series of workshops with experts and national delegations on the deployment of sectorial Testing and Experimentation Facilities under DIGITAL.

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1 See European Research and Innovation Days 23 & 24th June 2021 - Horizon Europe and European Research and Innovation Days | Research and Innovation (europa.eu)

2 Leading the Digital Decade 1-2 June 2021 | Shaping Europe’s digital future (europa.eu)
All these efforts are certainly complemented through the regular interactions with the stakeholder and policy groups that support the Commission under each work strand and ultimately serve as solid dissemination channels for the funding opportunities under both HE and DIGITAL.³

4. Could you detail the activities carried out by DG GROW’s Taskforce for the industrial scale-up of COVID-19 vaccines and therapeutics (TFIS), including in the context of the setup of HERA?

**Commission’s answer:**

The TFIS supported the ramp-up of production capacity for COVID vaccines in the EU through a range of actions. It mapped EU production capacities throughout the supply chain (over 300 sites in the EU, [online mapping](https://europa.eu) publicly available) and facilitated industrial partnerships through matchmaking events (over 700 participants in three matchmaking events). It served as a helpdesk for vaccine manufacturers and worked closely with manufacturers, suppliers and national authorities to identify and resolve bottlenecks. Between February and June 2021, it helped remove around 150 supply chain bottlenecks, affecting a number of manufacturing sites.

In order to resolve international supply chain bottlenecks, the TFIS opened a dialogue with the U.S., formalised in September 2021 as the joint [EU-U.S. COVID-19 Manufacturing and Supply Chain Taskforce](https://europa.eu), resulting in the joint monitoring of critical ingredients and materials for the production of vaccines and therapeutics. It also carried out detailed assessments of vaccine manufacturers’ supply chains and industrial capacity to deliver on commitments ahead of the signature of an Advance Purchase Agreement (APA).

Moreover, TFIS worked to ensure sufficient long-term manufacturing capacity in Europe by preparing the launch of EU FAB, the network of ever-warm production capacity. Drawing lessons from its earlier work, TFIS also shaped the industrial dimension of the new European Health Emergency preparedness and Response Authority (HERA). In addition, it supported efforts to increase manufacturing capacity globally, in particular in Africa (notably by fostering partnerships between European and African companies), in close cooperation with other Commission services.

A more detailed overview of activities is available on: [Task Force for Industrial Scale-up of COVID-19 vaccines](https://europa.eu)

5. Could the Commission present more information about the allocated budget and implementation tasks delegated by DG CONNECT to executive and decentralised agencies for the implementation of programmes under MFF 2021-2027? Does DG CONNECT share tasks with the agencies or there are tasks completely delegated to agencies?

**Commission’s answer:**

With regard to the Digital Europe Programme (DIGITAL):

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³ E.g., see [Workshops on reference testing and experimentation facilities for Artificial Intelligence in the Digital Europe Programme](https://europa.eu) / Shaping Europe’s digital future (europa.eu)
DG CNECT has delegated specific activities of Specific Objective 4 and Specific Objective 5 in direct management to the European Health and Digital Executive Agency (HaDEA). The tasks of HaDEA are stated in the Commission Decision C(2021) 948 Final (and its annexes), delegating powers to the European Health and Digital Executive Agency with a view to the performance of tasks linked to the implementation of Union programmes in the field of EU4Health, Single Market, Research and Innovation, Digital Europe, Connecting Europe Facility – Digital, comprising, in particular, implementation of appropriations entered in the general budget of the Union.

The delegated budget to HaDEA in respect of DIGITAL amounts to about EUR 833 million. Additionally, DG CNECT relies on the agency for logistical and administrative support to evaluations and for ex-post audits also for DIGITAL parts that are not delegated to the agency.

DG CNECT also implements budget of DIGITAL through the European Cybersecurity Competence Centre (ECCC) (not yet financially autonomous, in the meantime, DG CNECT is implementing ECCC’s tasks) and through the European High Performance Computing Joint Undertaking (the EuroHPC JU4).

With regard to Horizon Europe (HE):
DG CNECT is also responsible for the Digital part of HE Cluster 4 which is delegated to HaDEA. However, the budget is formally delegated by DG RTD. Additionally, DG CNECT implements part of HE Cluster 4 in-house and through three Joint Undertakings (the EuroHPC JU, the SNS JU and the KDT JU).

DG CNECT is parent DG for two other executive agencies that implement HE: the Research Executive Agency-REA (Commission Decision C(2021) 952 Final (and its annexes)) for the delegated actions within pillar I Research Infrastructures (part of the budget is implemented by DG CNECT) and the European Innovation Council and SMEs Executive Agency – EISMEA (Commission Decision C(2021) 949 Final (and its annexes)) which implements the HE pillar III dedicated to the European Innovation Council actions.

HE budget is formally delegated by DG RTD for all executive agencies.

With regard to Creative Europe – Media:
Creative Europe MEDIA and Cross-sectoral Strands are implemented by the Education and Culture Executive Agency (EACEA), under the supervision of DG CNECT.
The tasks of EACEA are stated in the Commission Decision C(2021) 951 Final (and its annexes), delegating powers to the European Education and Culture Executive Agency with a view to the performance of tasks linked to the implementation of Union programmes in the field of education, audio-visual and culture, citizenship and solidarity comprising, in particular, implementation of appropriations entered in the general budget of the Union.
The estimated budget for the MFF 2021-2027 delegated by DG CNECT to EACEA as specified in the Financial Statements of the agency amounts to €1.346 Million.

With regard to Connecting Europe Facility Digital (CEF Digital):
DG CNECT has delegated to HaDEA the implementation of all the grant topics foreseen in the CEF Digital 2021-2025 work programme.

4 https://eurohpc-ju.europa.eu/index_en
The estimated CEF Digital budget for the MFF 2021-2027 delegated by DG CNECT to HaDEA amounts to €1.665 Million.
As regards decentralised agencies (BEREC Office, ENISA) for which DG CNECT is parent DG, DG CNECT did not delegate any implementation tasks for the implementation of programmes under MFF 2021-2027 and thus did not allocate budget for them apart from their administrative budgets.

https://research-and-innovation.ec.europa.eu/contact-us/research-enquiry-service_en
https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/support/ncp
https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/support/events

Questions concerning SME

6. How does the Commission consider that it could ensure the participation of SMEs from all geographical areas in the programmes of the new multiannual financial year 2021-2027? What is the amount allocated to the social economy and start-ups?

Commission’s answer:

SMEs are the focus of several programmes. The Commission aims to use various tools and communication strategies to ensure that all regions are informed and SMEs encouraged to participate. Networks and information hubs ensure that programme information is widely disseminated.

As far as the SME pillar of the Single Market Programme is concerned, with a budget of EUR 1 billion covering the current programming period, services such as the Enterprise Europe Network (EEN), the Euroclusters and the European Cluster Collaboration Platform (ECCP), available to businesses in all EU regions play an important role for making all SMEs aware of opportunities to participate in calls relevant to their field of activity.

Within the SME pillar, and building on the former COSME Programme, the Enterprise Europe Network has provided advisory services to over 260 000 SMEs from 2015-2020, with over 2 700 partnership agreements signed in 2021. EEN advisors provide advice across a large number of areas, including how to access and benefit from the Single Market; how to access public and private finance; innovation; scaling up businesses; internationalisation beyond the EU; intellectual property and women entrepreneurship. As of 2021, the EEN has added Sustainability Advisors and dedicated services on digitalisation, and is now developing services enabling SMEs to become more energy-efficient and resilient. It has also acted to address supply chain disruptions from the unprovoked Russian invasion of Ukraine with its dedicated Supply Chain Resilience platform.

The SME Envoys play a key role as a sounding board for all SME related activities, and also disseminating policy information. Country data is also supported via the SME Performance Review in its annual report.
Both the 2021 and 2022 work programmes for the SME pillar of the Single Market Programme included measures for Social economy. For example, the 2022 work programme included a total of EUR 9 500 000 support to support the green transition in this sector, to boost awareness raising for mainstream enterprises to work with social enterprises and for training and awareness-raising towards procurement authorities to foster socially responsible public procurement.

The SME pillar has also supported a number of studies related to start-ups to support evidence-based policy making. On a more practical level, the Erasmus for Young Entrepreneurs scheme provides new or prospective entrepreneurs in all regions of Europe, including the outermost regions, the opportunity to learn from experienced entrepreneurs how they have tackled the challenges of creating and running their business. The Enterprise Europe Network’s advisory and partnership services for SMEs also include services to help SMEs in all regions to scale up internationally.

Furthermore, the social economy funding from the Social Investments and Skills window of InvestEU will use part of its EUR 2.78 billion of guarantee to support the deployment of financial products providing repayable finance for social enterprises, irrespective of their legal form, and to microenterprises. The Employment and Social Innovation strand under the ESF+ with a budget of EUR 762 billion will provide EU level support for the development of social enterprises, the emergence of a social investment market, and the development of the market ecosystem around the provision of microfinance.

Concerning the European Defence Fund, the participation of SMEs was supported through the use of simplified cost options (in particular lump sums); the organisation of info days (1600 participants), and other outreach events, such as annual workshops with beneficiaries, to facilitate the understanding of the programme; or the setup of a network of national focal points to support the applicants/beneficiaries in their home country. We already have some strong evidence that EU defence R&D opportunities lead to a solid involvement of SMEs. Under the first EDF calls (EDF 2021), SMEs represent over 40% of all entities in selected proposals receiving close to 20% of the total requested EU funding. The EDIDP 2020 calls were also highly attractive for SMEs: SMEs represented 35% of the total number of entities, receiving 30% of total funding from EDIDP.

The Horizon Europe European Innovation Council (EIC) Accelerator programme gives grants and equity financing to individual high-risk tech SMEs, and in particular start-ups and spinout companies, to develop and scale up deep-tech and game-changing innovations. In some cases, small mid-caps (up to 500 employees) are also supported. The EIC Challenge has an overall budget of around EUR 7 billion for the period 2021-2027. Furthermore, entrepreneurs are provided with access to a range of tailor-made EIC Business Acceleration Services (BAS) at any stage of development of their activities including investor mentoring.

In the Digital Europe Programme (DIGITAL), for the grant agreements that have been signed to this date, 18.5% of participants are SMEs and for Horizon Europe (HE) cluster 4, 22.4% of participants are SMEs. In the particular case of DIGITAL the Commission is encouraging participation from European SMEs through a specific type of action that ensures for SME beneficiaries a higher co-founding rate (75% EU contribution in contrast with the other actions co-funded at 50% rate).
Almost EUR 160 million from the 2021 budget of DIGITAL were earmarked for the first steps in building the network of European Digital Innovation Hubs. The network of hubs, will support in the following years the small and medium-sized enterprises (SMEs), in their twin (green and digital) transitions. They are an important tool supporting the implementation of the EU industrial and SME policies with a wide geographical spread across European Regions. Each hub is close to the local ecosystem of SMEs and small mid-caps, speaks their language and provide a wide range of specialised and targeted digital transformation services adjusted to the needs and strengths of the region where they operate in collaboration with the Enterprise Europe Network and Start-up Europe.

Under the EuroHPC (High-Performance Computing) Joint Undertaking (JU), national HPC Competence Centres are supported in each Member State and Participating States of the EuroHPC JU. These competence centres receive an EU funding of around EUR 40 million every 2-3 years. They aim to increase the innovation potential of European industry and in particular of SMEs, by providing access to the latest HPC technologies, tools, applications and services, and by offering expertise, skills, training, networking and outreach.

In quantum technologies DG CNECT has launched a pan-EU infrastructure Framework Partnership Agreement (EUR 38 million) to create long-term open, supportive and sustainable experimental and testing infrastructures in Europe that are openly accessible by European SMEs. The partnership includes access to a balanced and inclusive network of Research and Technology Organizations and other excellent European institutes equipped with state-of-the-art quantum experimental facilities, infrastructures and tools, and key innovation players in quantum technologies. The objective of the partnership is to provide SMEs access to pilot lines for fabrication of small volumes of quantum components and provide open testing and experimentation facilities in Europe, providing access to world-leading facilities.

Also, under DIGITAL, EU offers support for the preparation for industrialisation of European quantum key distribution (QKD) systems with improved performance, and the development of Europe’s industrial ecosystem (including SMEs) for quantum communication technologies and systems.

In the context of the DIGITAL programme, the sectorial Testing an Experimentations Facilities in Healthcare, Agrifood, Manufacturing and Smart Cities and Communities will support companies developing AI and robotics to bring their innovation to the market, with specific attention to SMEs. A total co-investment of EUR 220 million between DIGITAL and Member States will provide infrastructures and support services to all European innovators, to fill an important gap, especially for SMEs, in bringing their technology to the market, namely the capacity to test at scale and in real conditions the technology. Such in-depth testing is particularly important for AI, as it brings some level of autonomy in the solutions and products.

7. How does the Commission intend to support the EU industrialisation strategy and the new SME strategy launched in 2021?

Commission’s answer:

On 10 March 2020, the Commission adopted a new Industrial Strategy for Europe in support of Europe’s industry to lead the green and digital transformations, and drive Europe’s global
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competitiveness and its strategic autonomy. The Strategy defined seven fundamental enablers: a deeper and more digital Single Market, upholding a global level playing field, working towards climate neutrality and a more circular economy, fostering innovation, skills and investments. The strategy proposed a partnership approach to governance around the concept of industrial ecosystems, incorporating all players operating in a value chain. The strategy also promotes the creation of joint initiatives such as industrial alliances, bringing together investors, governmental, institutional and industrial partners in key technologies and business areas, which have produced good results in batteries. While the priorities of the March 2020 industrial strategy remain fully valid, the Commission has updated the industrial strategy on 5 May 2021, taking into account the lessons learnt form the COVID-19, such as need to strengthen Single Market resilience, tackling Europe’s strategic dependencies and accelerate the twin transitions.

The Commission will continue to support the development of a coherent and stable regulatory framework for the twin transition, and to promote access to capacities and infrastructure, finance for innovation and deployment, raw materials and decarbonised energy, and the right skills. The Commission is working towards diversifying international supply chains, pursuing international partnerships to increase preparedness and supporting new industrial alliances in strategic areas. To date, industrial alliances have been launched in several strategic areas, including batteries, hydrogen, raw materials, processors and semiconductor technologies, industrial data, edge and cloud, zero emission aviation, and most recently on solar PV. The Commission has set up the Industrial Forum as a new, inclusive and open mechanism for co-designing solutions with stakeholders, and is also supporting Member States’ efforts to pool public resources via Important Projects of Common European Interest (IPCEIs) in areas where the market alone cannot deliver breakthrough innovation.

The implementation of the Industrial Strategy and its update is on track with the majority of measures already presented by the Commission, including the proposal for Single Market Emergency Instrument, Regulation on foreign subsidies distorting the internal market, the action plan on critical raw materials, the skills agenda and the pact for skills, the Digital Services Act and Digital Markets Act (DSA and DMA), the pharmaceutical strategy, standardization strategy, etc.


The priorities laid down in the SME strategy (digitalisation and sustainability, cutting red tape and tapping into markets, and access to finance), and the updated Industrial Strategy (notably supporting the green and digital transition in industrial ecosystems) are fully integrated into the SME pillar of the Single Market Programme.

As shown in the 2022 Annual Single Market Report, the implementation of the SME Strategy is well on track: 26 out of 33 key actions of the SME Strategy have been implemented or launched by February 2022. 4 further actions have been implemented or launched since then in 2022.

The SME Strategy actions have not only helped provide immediate crisis support to SMEs during the Covid-19 pandemic, but are also key to supporting SMEs’ recovery and fostering their resilience against future shocks, as well as their green and digital transition.
Examples of actions to support these goals under the three pillars of the SME Strategy include for example:

**Pillar 1: Capacity building and support for the twin transition**
- The Enterprise Europe Network’s sustainability adviser services, to support to SMEs for their transition to sustainability.
- Support for projects to empower SMEs in the tourism and social economy ecosystems to carry out the twin transition.
- Support for studies and economic analysis on the situation of SMEs across the EU, and key challenges for their growth and development (in particular, the annual SME performance review, studies on scale-ups and the Eurobarometer surveys on sustainability).

**Pillar 2: Reducing regulatory burden and improving market access**
- Projects and actions in cooperation with authorities to encourage them to put in place more SME-friendly procurement procedures for SMEs.

**Pillar 3: Improving access to financing**
- Communication and support actions for access to finance, such as the Access to Finance portal and the SAFE survey on the financial situation of enterprises, and the need for and availability of external financing. As financial instruments now fall under the InvestEU programme, the SME pillar no longer provides direct financial support for SMEs’ investments.

8. Could you provide us with additional information on the SME window of InvestEU? What are the lessons learned with previous EU SME debt and equity schemes, and how are they implemented?

**Commission’s answer:**

The InvestEU SME window facilitates access to debt and equity funding for SMEs. It targets primarily SMEs, but also small midcaps, and aims to enhance their global competitiveness, at any stage of their development, and in particular, those that are perceived as high risk and lack sufficient collateral.

The SME window builds on the success of several EU-level financial instruments from the previous Multiannual Financial Framework (COSME Loan Guarantee Facility, COSME Equity Facility for Growth, InnovFin SME Guarantee Facility, InnovFin Equity, Cultural and Creative Sectors Guarantee). In the past, these instruments enjoyed significant uptake and had very positive impacts on the supported SMEs in terms of employment and growth, but they were scattered across different EU programmes with different rule sets and different thresholds, and this insufficiency has now been fully addressed.
With bringing the instruments under a single umbrella, the SME window of InvestEU ensures a streamlined implementation with a single set of rules (including harmonised eligibility and reporting), that will ultimately reduce the administrative burden for financial intermediaries and final recipients. This streamlining and simplification are a direct follow up to the lessons learnt from deploying previous EU SME financial instruments.

Furthermore, various evaluations on financial instruments stressed that the impact of the SMEs could be further strengthened by better targeting the beneficiaries and coordinating better with Member State activities.\(^5\).

To address these, financial products under the SME window have been designed with a strong policy angle:

- in line with the EU SME Strategy, the SME window will support the green and digital transition of companies (a new dedicated sustainability guarantee has been met with significant market demand already);

- the SME window provides financing to support (i) innovation and digitalisation-driven enterprises to help drive Europe’s economic growth and global competitiveness and (ii) creative ecosystem of cultural and creative sectors in consolidating its resilience and allowing it to adapt to the challenges ahead;

- as highlighted in the update of the EU Industrial Strategy a newly developed solvency support instrument will help the recapitalisation of viable SMEs affected by the COVID crisis;

- the SME window will also help diversify sources of financing to SMEs and will complement the objectives of the Capital Markets Union (CMU) by supporting equity investments in companies, in companies pursuing IPOs, by targeting gender-smart investing, and addressing the financing gap experienced by high growth European companies (scale-ups).

- As regards coordination with other instruments and Member State schemes, support under the SME window is provided without crowding out other instruments and therefore striving for additionality.

All financial products have been launched by the main implementation partner, the European Investment Fund in Luxemburg (see the respective calls for expression of interest: The EIF and InvestEU) earlier this year and the EIF has reported to the Commission a significant demand from the market.

9. Have your services carried out an external evaluation to assess the effectiveness of the SME internationalisation strategy, as recommended by the Court of Auditors?

**Commission’s answer:**

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The SME internationalisation strategy was supported by a number of programme measures, and notably by the Enterprise Europe Network. The evaluation process is therefore part of the wider programme evaluation and will take place as part of the final evaluation of the COSME programme.

An initial planning of the final evaluation of the COSME programme has been prepared and a call for evidence will be published before the end of this year. Due to the long time frame foreseen for implementing certain types of actions supported by COSME, and the fact that many actions from the last two years of the programme were extended in duration due to issues related to the COVID-19 crisis, an earlier evaluation would not have been able to fully capture the results of the programme.

As recommended by the European Court of Auditors, the Commission will carry out an external evaluation assessing the effectiveness of the SMEs internationalisation strategy by end 2025.

In addition, the final evaluation of COSME (2023), and the interim evaluation of the SMP in year 4 of the programme will both provide information to justify future actions, including any actions on SME internationalisation. Specific evaluations are also foreseen for several major actions.
10. The Court of Auditors has concluded that, in the context of internationalisation of SMEs, the financial sustainability of a number of EU actions launched during the 2014-2020 programming period was not sufficiently addressed, with the result that several actions were discontinued despite positive results. In addition, there has neither been a regular and specific reporting and monitoring, nor a comprehensive evaluation of the implementation of the SME internationalisation strategy. How are your services following up those findings?

**Commission’s answer:**

The question of sustainability of some of the projects is complex, in the sense that many projects entailed providing expert services to address gaps and were not allowed to make profits, which impacted their financial sustainability.

Services provided under COSME projects were required to be non-profit making. Some deliverables produced within the life of COSME projects continue to be available afterwards (guides, good practice, etc.). Longer-term continuity/sustainability, once support from the programme ends, is more challenging for projects/services requiring continued input from experts. Although the services supported under COSME address clearly identified gaps/issues that SMEs are faced with, one key reason for supporting them under the programme is the absence/lack of other public/private services to address those challenges, which in turn is an indicator that it is hard to find an appropriate business model for running these without public support.

More continuity has been ensured within the programme itself by introducing multi-annual actions under the SME pillar of the new SMP programme. Flagship actions such as the Enterprise Europe Network (EEN), Erasmus for Young Entrepreneurs and European Cluster Collaboration Platform (ECCP) have a multi-annual budget running up to 2024 and renewable for a further multi-annual term after that.

Some actions in the SME internationalisation strategy received financial support under the COSME programme. As mentioned in the response to question 9, the initial planning of the final evaluation of the COSME programme has been prepared and a call for evidence will be published before the end of this year. Due to the long timeframe foreseen for implementing certain types of actions supported by COSME, and the fact that many actions from the last two years of the programme were extended in duration due to issues related to the COVID-19 crisis, an earlier evaluation would not have been able to fully capture the results of the programme.

The lessons learnt in final evaluation of COSME, including those related to actions for SME internationalisation will be taken into account in the implementation of the SME pillar of the Single Market Programme.

The new SMP (Single Market Programme) orientations take account of the impact assessment and the interim evaluation of the previous actions/programmes (including COSME actions, and those related to SME internationalization).

Evaluation and impact assessments will be carried out mainly at SMP programme level. The services implementing activities under each specific objective are responsible for preparing,
collecting and compiling data for suitable monitoring and evaluation of their own activities and prepare the needed reporting (ref. SME pillar objective 3.2.b of the SMP Basic Act).

11. The Court of Auditors has also found that Startup Europe has focussed on the relevant needs of start-ups, but its contribution to SME internationalisation as a whole is unclear and it is affected by issues of sustainability and governance. How are your services addressing those issues?

**Commission’s answer:**

The Commission coordinates the policy actions related to SMEs and startups through start-up Europe summits, inter-service meetings and other dedicated meetings. This contributes to the strategic coordination of the initiative in a number of ways: through specific policy recommendations, by highlighting start-ups’ contribution to growth and by enabling cooperation between projects. This coordination has been considerably improved since the adoption of the SME strategy. On the national level, the annual SME assembly and Programme Committees for R&I governing the funding, contribute to the strategic coordination of overall objectives relating to SMEs.

The Startup Europe Research & Innovation (R&I) projects provide expert services such as access to markets, partners, skills and finance to address the major needs identified by SMEs and start-ups in scaling across the EU. The EC views sustainability as the continuation of the projects’ actions and initiatives put in place during the lifetime cycle of a project. This sustainability is strongly encouraged by the Commission and is assessed by external independent experts in the yearly project reviews.
Questions concerning defence and space programmes

12. In the area of defence, does the Commission consider beneficiaries well prepared for applying and implementing projects financed by the EU budget?

Commission’s answer:

The first projects funded under the European Defence Fund (EDF) are expected to start very soon. The results of the first ever EDF calls for proposals provide already solid evidence that potential applicants and beneficiaries show strong interest and preparedness to apply for funding under the EDF.

Applicants submitted a record number of 142 proposals covering all published calls and topics. With 692 unique legal entities from 26 Member States and Norway applying to the calls, the interest of applicants was considerable. The quality of the selected proposals is furthermore deemed high, and with 43% of entities involved being SMEs. It can therefore be stated that both large and small entities were well prepared to apply to the calls.

For a first time under EU defence R&I programmes, SME beneficiaries of the EDF 2021 Open SME calls and the disruptive technologies call will start receiving business coaching in 2023.

In addition, support to defence-related SMEs will be provided via the European Network of Defence-related Regions (ENDR), which brings together regional organisations and clusters, as well as the EDF National Focal Points, which have been appointed by the Member States and Norway to provide information and advice to potential applicants and beneficiaries of the EDF and assist in building partnerships.

The implementation of the EDF projects will be carefully monitored and the Commission will provide further guidance and assistance to the project leaders where necessary.

13. What is the geographical distribution of the beneficiaries both under direct and indirect management receiving financing under defence and security programs of the EU?

Commission’s answer:

The heading 5 “Security and Defence” includes programmes that strengthen the security and safety of European citizens, improving Europe’s defence capacities, and providing the tools to respond to crises.

European Defence Fund and precursor programmes:

The experience with the Preparatory Action on Defence Research - PADR (calls in 2017, 2018 and 2019), the European Defence Industrial Development Programme- EDIDP (calls in 2019 and 2020) as well as the first year of calls under the European Defence Fund – EDF (calls in 2021) shows overall a very good geographical distribution of beneficiaries.

In case of the first year of the EDF calls (2021), 692 ‘unique’ entities from all Member States (except Malta) and Norway were involved in the final selection of 61 proposals, indicating
both, the strong level of participation and of cross-border cooperation. Entities from nearly 8 Member States on average were involved in a proposal selected for funding.

In case of EDIDP, 223 entities from 24 Member States are represented in the proposals selected in 2019 and 420 entities from 25 Member States in the proposals awarded in 2020.

PADR funded 18 projects with a large geographical footprint. Indeed, 202 entities from 22 Member States and Norway benefited from PADR funding. Participations come from across the EU; top 5 in terms of total beneficiaries are FR, IT, DE, ES, NL and at lower end SK, NO, EE, AU, FI, DK.

Military mobility:

Concerning the CEF Military Mobility Programme, the first call was launched in 2021 and the geographical distribution of the selected actions is as follows: 5 actions for PL, 2 actions for FI (1 cross border with SE), IT, LT, PT and 1 action for BE, CZ, DE, EE, FR, HU, LV, RO, SI and SE (cross border with FI).

14. Could you provide us with an update on the implementation of the European Defence Fund, as well as the Industrial Development Programme (EDIDP) and the Preparatory Action on Defence Research (PADR)?

Commission’s answer:

European Defence Fund - EDF

In the first year of EDF implementation (2021), 23 calls for proposals covering 37 topics were published between 15 June and 9 December 2021 with a total available budget of EUR 1.26 billion. 142 proposals were received, covering all calls and topics published. 61 proposals were selected for funding amounting to EUR 1.17 billion and covering all the topics.

30 (49%) proposals selected were in development calls (amounting to EUR 845 million - 72% of the total grant request) and 31 (51%) proposals in research calls (amounting to EUR 322 million -28% of the total grant request). Research on disruptive technologies for defence received 5.5% of the total budget.

There was a strong level of participation and cross-border cooperation, with 692 ‘unique’ entities from all Member States (except Malta) and Norway involved in the selected 61 proposals. On average, there are 18 entities per proposal. Small and Medium Enterprises (SMEs) are widely represented, as they represent around 43% of all entities in selected proposals.

Grant Agreement preparation is ongoing for the 57 proposals to be managed directly by the Commission with the target date of signature by mid-December 2022. Four proposals will be carried under indirect management with contribution agreement to be signed with OCCAR (2 development actions) and EDA (2 research actions) in December. For these two entities (OCCAR and EDA), the outcome of the assessment carried according to Art. 154(4) of the Financial Regulation (“pillar assessment”) was positive.
In the second year of EDF (2022), 8 calls for proposals (including 33 topics) were published on 21 June 2022 with a deadline for submission set to 24 November 2022 (total budget of EUR 924 million). The evaluation of the proposals, with the assistance of external experts, is scheduled to start in early January 2023 and the draft award decision should be presented to the EDF Programming Committee in June 2023.

The preparation of the EDF work programme for 2023, the third year of the programme, started in May 2022. The objective for 2023 is to align the execution of EDF with corporate timelines by accelerating the adoption of the work programme already in March 2023.

**European Defence Industrial Development Programme - EDIDP**

EDIDP was intended to address more specifically defence R&D, providing Member States with incentives to conduct more advanced defence research and develop jointly prototypes at the top level of the Technical Readiness Level (TRL) scale.

EDIDP’s EUR 500 million budget was used for calls for proposals in 2019 and 2020 with respectively EUR 200.5 million and EUR 162.5 million and for two direct awards: a) a EUR 100 million grant to ‘Eurodrone’ project and, b) a EUR 37 million grant ‘ESSOR’ project (developing interoperable and secure military communications).

The EDIDP 2019 calls (9 calls) attracted 40 proposals involving more 441 entities and resulted in the financing of 16 projects (with a total budget of EUR 200.5 million).

The 2020 calls (12 calls) resulted in 26 projects (with a total budget of EUR 158.3 million) involving 420 entities (with possible duplications). The response rate increased significantly between the two years of the programme: the EDIDP 2020 calls attracted 63 proposals, covering all calls and topics published in 2020.

Out of the total of 44 projects under EDIDP, one project has been completed (project OPTISSE at the beginning of 2022) and several will be completed in 2023.

**Preparatory Action on Defence Research - PADR**

PADR, with a total budget EUR 90 million, has allowed the Commission to test the EU funding of collaborative defence research project, as well as the future architecture of the European Defence Fund (governance, implementation modes, evaluation process etc.). In total, 18 PADR projects have been selected for funding between 2017-2019.

To date, the Commission directly manages three PADR projects on disruptive technologies for defence; the European Defence Agency (EDA) is indirectly managing 15 projects. At end of 2022, six PADR projects will have been finalised and by beginning of 2023 another three will be completed. A small number of projects have been extended until later in 2023 and one until 2025.

There are positive results achieved already: The largest project funded (OCEAN 2020, EUR 35.4 million) provided the proof of concept of a demonstrator of data integration and operational facilities enabling situational awareness of commanders. Others have the potential to become a NATO standard and have already led to follow-up calls in EDF continuing the development path towards system integration.
15. In 2021, the European Court of Auditor’s Special Report 07/2021 assessed the effectiveness of the measures taken by the Commission to promote the uptake of services derived from the EU space components (Galileo and Copernicus). The Court of Auditors found that EU space ‘services are launched, but the uptake needs a further boost’. How are your services addressing these concerns?

Commission’s answer:

The Commission acknowledges the importance to carry on the promotion and uptake of the Galileo and Copernicus services and to further capitalise on these investments. The Union has made significant investments in EU space programmes, which enabled progress that no Member State could have achieved on its own.

There has been a lot done in order to foster the uptake of Galileo and EGNOS. Few examples:

- Copernicus, the EU Earth observation and monitoring system, is a leading provider of Earth observation data, which are used for services providers, public authorities and other international organisations to improve the quality of life for the European citizens. With Copernicus, the EU has one of the biggest data providers in the world with more than 12 Tera Bytes of high-quality full, free and open data every day.

- Galileo, Europe's own global navigation satellite system, is the most accurate satellite navigation system worldwide. Since the declaration of Galileo Initial Services in 2016, the market uptake of Galileo-enabled smartphones has been very rapid. In 2021, the estimated number of Galileo-enabled smartphones sold worldwide has reached more than 2.5 billion. This has been possible thanks to close contacts of the European Global Navigation Satellite Systems (GNSS) Agency (GSA, predecessor of EUSPA) with market leaders for global smartphone chips supply, which ensured that they had built Galileo into their products. As a result, over 95% of the satellite navigation chipset supply market supports Galileo in new products, including the leading manufacturers of smartphone chipsets.

- Galileo satellite signals are interoperable and compatible with GPS signals. In 2018, the U.S. Federal Communications Commission (FCC) authorised the use of Galileo signals on devices in the United States. Following this decision, consumers and industry in the U.S. can use Galileo satellite signals in combination with GPS, allowing them to benefit from improved availability, reliability, and resiliency of these position, navigation, and timing services.

- EGNOS, the European Geostationary Navigation Overlay Service, is a fully operational regional satellite navigation system. EGNOS is key for civil aviation. In 2011, the EGNOS Safety of Life service was declared operational for use in aviation. Today, more than 400 airports in Europe use EGNOS and the trend is on the rise. The provision of EGNOS services to airfields and aerodromes not equipped with conventional navigation aids increases aviation safety and airport accessibility, especially in remote regions.

The Space Regulation, entered into force after the preparation of the ECA report, establishes the EU Space Programme for 2021-2027. For the first time, this programme provides a common framework for all space data and services. It puts great emphasis on the downstream sector, the market uptake and the exploitation of space data. This allow for streamlining the
market and user uptake activities of all space data and services now that the relevant infrastructures have been established.

The overall objective is on one hand to foster the development of an innovative and competitive European space sector, and on the other hand to promote the widest possible uptake and use of data, information and services provided by the different components of the EU Space Programme.

The Commission undertook four main lines of action to achieve this objective:

- Research and technology development: The key instrument for supporting the research and development activities of the EU space sector and for contributing to the future evolutions of the Space programme’s components is the Horizon Europe Research and Innovation programme. The Commission undertook an important step forward to stimulate the uptake of Copernicus and Galileo data, services and signals by making their use mandatory in the Horizon Europe programme where earth observation and navigation play a role. It is the first time that this close link between research and space has been made.

- Supporting European space-based businesses and New Space: Investments are essential to the growth of space companies in the EU. Therefore, the Commission launched the CASSINI Space Entrepreneurship Initiative to support innovative space entrepreneurs, start-ups and SMEs. The initiative is open to all areas of the EU Space Programme, and covers both upstream (i.e. nanosats, launchers, etc. and downstream (i.e. products/services enabled by space data, etc.). The CASSINI Facility will deploy a €1 billion investment capacity to boost space companies and companies using space data as well as hackathons and mentoring, prizes, a business accelerator, partnering and matchmaking.

- EU policies and legislation: The Commission has been promoting the use of European space data and services in its policies and legislation over the past years and their use have been introduced to many areas by legislative means (eCall, Digital Tachograph, Performance based navigation, E112). In 2021, the Commission established an internal Knowledge Centre for Earth Observation to strengthen the links between Copernicus and all policy areas of the Commission thus increasing the links between the different EU policies and the relevant legislation. In addition, the Commission has established an internal interservice group on space for promotion of space activities among the various Directorates Generals of the Commission to further promote the use of EU space data and services in the EU policies. Skills: The Commission is revamping and is going to use the Pact for Skills as a strategic tool to attract people to the space sector, and to up- and reskill its staff. To succeed for industry, the Pact for Skills will be inclusive to all actors in the ecosystem, including SME and start-ups, space companies (upstream and downstream), academia, and trade unions. in this direction the Commission has already presented EO4GEO, an Erasmus+ Sector Skills Alliance that aims to identify skill gaps and define a strategy for upskilling and reskilling in the Earth Observation/Geo-information sector. The outcomes of EO4GEO include a set of tools, training materials and actions based on standardized concepts to foster the uptake and integration of geo-information data.

The Space Regulation foresees a pivotal role for the EU agency for the Space Programme (EUSPA) in the communication, market development and promotion activities for services
delivered by Galileo, EGNOS and Copernicus. With regard to Copernicus services, EUSPA is in charge of the market uptake towards commercial users, in synergy with the Galileo/EGNOS market uptake. In 2022, EUSPA published for the first time a joint Earth Observation (EO) and GNSS Market Report that combines the market and application insights of both into a single report and provides global coverage of the Earth Observation and Global Navigation Satellite System applications across 17 market segments.

The European Court of Auditors in its Special Report 07/2021 formulated four recommendations that the Commission accepted and will deliver on them in the period 2023-2024. Beyond all the horizontal actions already mentioned above, specific preparatory activities have started to address all these recommendations. A comprehensive uptake strategy for EU space services is under development to respond to ECA recommendation and to improve coherence and synergies between the activities of various actors within and beyond the Space Programme.

16. The Court of Auditors also recommended the Commission to develop a conceptual framework for estimating the benefits of the EU space programmes and improve performance measurement. Has there been any progress in this area?

**Commission’s answer:**

The Commission acknowledges that there is no generally recognised conceptual statistical framework in the EU for the estimating the benefits of EU space services. In the past, the Commission in cooperation with the European GNSS Agency has developed a sound methodology for determining the socio-economic benefits from Galileo and EGNOS. This methodology is now used in the bi-annual Market Report published by the EUSPA and these market reports have become the global reference point in this domain. To address the recommendation of ECA, the Commission in cooperation with EUSPA is developing a conceptual framework for estimating the benefits of the EU space programmes including synergies among the different components, and for improving performance measurements in order to achieve a consistent and coherent approach.

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