Activities Monitoring Process Guidelines

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1. Glossary

Activity Leader is the partner in the consortium, responsible for the whole coordination of the activity.

Deliverable: Deliverables are documents encapsulating the outputs (e.g., building blocks of the proposal information or data mapping, a design report, a technical diagram, an infrastructure or component list, or a software release upon which the product/solution or service depends) that must be produced during the activity lifecycle.

EIT Manufacturing is a Knowledge and Innovation Community (KIC) created by the European Institute of Innovation and Technology (EIT). It has been set up as a legal entity and, as such, it has signed a Framework Partnership Agreement (covering a period of 7 years, 2021-2027) and a Grant Agreement with the EIT for the relevant period.

EIT Grant: European Funding from Horizon Europe programme.

Financial Support Agreement FSA: The Financial Support Agreement lays down the contractual arrangements between EIT Manufacturing and a specific entity regarding the financial support to the third party (i.e. the subgrant). As part of the FSA, all approved activities in which the entity is part, are annexed to it.

Key performance indicators (KPIs): Set of indicators used to measure how effectively a consortium is meeting the objectives. There are 2 sets of KPIs: the EIT Core KPIs defined by the EIT that reflect the EIT operational objectives for education, entrepreneurship, and innovation, and the KIC specific KPIs defined by EIT Manufacturing that reflect the societal challenge that the KIC is addressing. KPIs need to be reported.

KIC: "Knowledge and Innovation Community" – EIT Manufacturing is one of the 9 KICs that operate under the regulations of EIT.

Thematic Pillar Manager: is a professional who works for EIT Manufacturing and manages the EIT Manufacturing-funded activities, including the monitoring process of those activities. The role of the Thematic Pillar Manager involves acting as a liaison between the beneficiaries of the activity and EIT Manufacturing.

2. Executive summary

The purpose of this document is to provide background information and guidance to Activity Leaders and the rest of their consortium participants on the implementation of activities included in EIT Manufacturing portfolio of activities for the Business Plan 2023-2025.

The activities selected for funding undergo a monitoring process to assess their status and ensure that they are progressing in line with their work plans and are contributing to the strategic objectives of EIT Manufacturing.

NB The current monitoring timeline will be provided as Annex 1 to this document, with annual revision scheduled for January.

An EIT Manufacturing activity can be composed of one or many participants and can have different durations, accordingly the monitoring will be a **simplified** one or a **full** one:

Activities type	EIT Funding awarded	Monitoring
Consortium of organizations represented by the Activity leader	250 000€ and less / activity	Simplified
	250 001€ and above / activity	Full
Single recipient (mono organization)	60 000€ and less / activity	Simplified
	60 001€ and above / activity	Full
Individual (not receiving a prize)	15 000€ and less / activity	Simplified
	15 001€ and above / activity	Full

The monitoring process shall apply the principles of proportionality and fair and equal treatment principles in all instances and at every part of the monitoring process, especially during any potential grant reduction. In general, activities can result in the following overall assessments:

- Activity is overperforming or on track, and the overall assessment is **green/white**: no alert is raised, **no measures are taken**, and the activity can pursue without condition. Grant reduction can still be applied if the activity does not fully deliver the expected result(s) as described in the proposal submitted and accepted by EIT Manufacturing at the end of the activity. In such cases, the grant will be reduced proportionally to the result finally delivered.

- Activity is showing weaknesses and the overall assessment is **orange**: the activity should apply the **action plan and mitigation plan defined** by EIT Manufacturing to ensure the proper implementation of the action. The **initial scope of the activity may be restrained** and Grant reduction might be applied, in case the mitigation plan does not bring the expected results and the activity does not fully deliver at the end.

- Activity is showing strong weaknesses and the overall assessment is <u>red</u>: **the activity is re-scoped and budget adjusted accordingly, the activity can also be stopped if no suitable measures are defined**. A further grant reduction may be applied if the activity does not fully deliver according to the reduced scope targets. In case the activity is stopped, EIT Manufacturing will review what has been achieved and what percentage of costs could be accepted, if any.

In case the activity, or one of the recipients has severely breached any other provisions of the Financial Support Agreement, EIT Manufacturing may apply a grant reduction or even an immediate termination of the recipient.

Prior to the payment, the cumulative funding received by an individual entity in the Business Plan 2023-2025 for all the EIT Manufacturing activities they participate in will be checked. Whenever an entity reaches a cumulative EIT funding of 430,000€, a Certified Financial Statement (CFS) audit will be requested prior to the payment[1]. The CFS audit will be performed by an external auditor. EIT Manufacturing will provide the reference of the appointed auditor.

The CFS review is a potential additional step from the activity simplified/full monitoring.

The scope of the CFS audit is to check the eligibility of the costs reported so far by a specific entity for all activities where they participate, altogether. The first CFS audit will check costs reported up to a specific date "D". A second CFS audit (meaning an entity reaches again a cumulative EIT funding of 430,000€) would check the costs reported from date "D+1 day" to date "D2", and so on. The findings of these external audits might lead to the rejection of costs and then a reduction of the grant (proportionally from the total costs declared).

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[1] According to Art 24.2 of the Horizon Europe MGA

3. Roles and Responsibilities

Roles	Responsibilities
COO	Responsible of the process.
Operations team	• Designing the process, define the threshold and the steps of process. • Providing the materials and information needed to the Thematic Manager to execute properly the process.
Internal Auditor	Ensuring the proper implementation of the process within the Organization.
Thematic Director	Responsible of the overall thematic portfolio assessment and implementation.
Thematic Managers	• Providing guidance and support to activity beneficiaries throughout the project's life cycle, including assistance with project planning, budget management, and reporting. • Monitoring project progress, including the review of progress and final reports, site visits (if any), and meetings with activity beneficiaries to assess their progress. • Ensuring that activity beneficiaries comply with relevant regulations and requirements of the EITM funding and the EU, including financial and legal obligations. • Facilitating the dissemination of activity results, including organizing events and workshops to promote the activity's outcomes and encourage knowledge-sharing.
Thematic experts	Specific experts recruited to support the assessment of an activity assessed internally with a severe underperformance

4. Breach of the provisions of the Financial Support Agreement (FSA)

4.1 Substantial Breach of the FSA

A substantial breach of the provisions of the FSA from one or several of the activity participants may be in the particular improper implementation of the KAVA(s), non-compliance with the call conditions, submission of false information or incomplete information, failure to provide the required information, breach of ethics or security rules (if applicable), etc.

In **case of a substantial breach of the provisions of the Financial Support Agreement**, the Thematic Manager shall:

- Inform the Thematic Director and the COO (cc the Operations Team);
- Fill in the appropriate form depending on the breach; and
- Once obtained approval from the COO, it is necessary to formally notify the activity participants of the findings and decisions made in accordance with the relevant Financial Support Agreements (FSA), Internal Agreements (IA), EIT Manufacturing's applicable Policies, and the EIT and Horizon Europe Framework.

This identification might happen at any moment during the execution of the process.

The following table presents a list of potential sanctions that may be imposed on the recipients based on the nature of the breach:

Type of breach	Scope of the activity	Payment	Partnership status
Submission of false information or incomplete information	The consortium shall take any action to have the information corrected and comply with the FSA within 14 days of formal notice. If the breach cannot be remedied or is not capable of remedy, the activity may be stopped.

If it is a single organization, the activity may be stopped, if the breach cannot be | Payment may be reduced proportionally.

If it is proven that submission of false or incomplete information existed before the relevant FSA's were signed, payments may be suspended and any amounts of the grant paid may be recovered. | No impact. |

	remedied or is not capable of remedy.		
Non-compliance with the call conditions	The consortium shall take any action to have the activity reshaped and comply with the call conditions. If this is not possible, the activity will be stopped. If it is a single organization, the activity is stopped	Payment may be reduced proportionally. If it is proven that non-compliance existed before the relevant FSA's were signed, payments may be suspended and any amounts of the grant paid may be recovered	No impact.
Improper Implementation of the Activity	Activity is reshaped. If this is not possible, the activity may be stopped.	Payment may be reduced proportionally to the achievements.	No impact.
Other substantial breach	The consortium shall take any action to have the breach remedied. If this is not possible, the activity may be stopped. If it is a single organization, the activity may be stopped.	Payment may be reduced proportionally. If it is proven that the reasons of the substantial breach existed already at the beginning of the activity, payments may be suspended and any amounts of the grant paid may be recovered.	No impact.

4.2 Breach of the FSA with immediate termination of the activity

Notwithstanding the provisions of this monitoring guide, an activity may be stopped immediately and the relevant Financial Support Agreements may be terminated, if one of the participants in the activity is in one of the following conditions:

- a change to the legal, financial, technical, organisational or ownership situation of one of the participants is likely to substantially affect or delay the implementation of the KAVA(s) it is involved in or calls into question the decision to select the KAVA(s) (including changes linked to one of the exclusion grounds listed in the declaration of honour, signed by the time of the signature of the FSA);
- one of the participants is subject to bankruptcy proceedings or similar (including insolvency, winding-up, administration by a liquidator or court, arrangement with creditors, suspension of business activities, etc.);

- one of the participants is in breach of social security or tax obligations;
- one of the participants (or person having powers of representation, decision-making or control of the participant, or person essential for the implementation of the KAVA(s)) has been found guilty of grave professional misconduct;
- one of the participants (or person having powers of representation, decision-making or control of the participant, or person essential for the implementation of the KAVA(s)) has committed fraud, corruption, or is involved in a criminal organisation, money laundering, terrorism related crimes (including terrorism financing), child labour or human trafficking;
- one of the participants (or person having powers of representation, decision-making or control of the participant, or person essential for the implementation of the KAVA(s)) was created under a different jurisdiction with the intent to circumvent fiscal, social, or other legal obligations in the country of origin (or created another entity with this purpose);
- one of the participants (or person having powers of representation, decision-making or control of the participant, or person essential for the implementation of the KAVA(s)) has committed substantial errors, irregularities, or fraud.

Additional actions, such as the exclusion of the KIC Partnership, grant reduction, grant suspension, grant recovery etc. may be taken against the involved participants. These actions will be carried out according to the relevant Financial Support Agreement (FSA), the Internal Agreement (IA), EIT Manufacturing's applicable Policies and the EIT and Horizon Europe Framework.

4.3 Other reasons for activity termination

The KIC LE may stop the activity and terminate the applicable FSA with immediate effect through written notice to the consortium if one or several participants of the consortium is subject to an event of *Force Majeure*, which prevents the consortium from the correct performance of its obligations for more than 120 calendar days.

The KIC LE may stop an activity for any other reason described in the Termination provisions of the FSA.

5. Criteria and scoring grid

The table below indicates a qualitative description of the general criteria that apply during the scoring process.

Each criterion is scored by the Thematic Manager once the Activity leader has provided all requested information and the activity has been discussed during monitoring meetings.

Criteria	Green Indicators	White -Indicators	Orange – Indicators	Red - indicators
Financial - use of budget Deviations in budget realisation affecting the performance of the activity.	The financial situation of the Activity is good, with resources being used according to plan.	The financial situation of the Activity is good, with resources being used according to plan or with small deviations.	Small to medium deviations in budget realisation affecting the performance of the activity.	Medium to large deviations in budget realisation.
Technical Quality, performance and impact of the outputs, Deliverables and KPIs of the Activity	The implementation is on track and deliverables and KPIs have been overachieved or are on track of overachievement.	The implementation is on track and deliverables, and KPIs have been achieved, are on track, or have minor deviations.	Some Deliverables, Outputs, and/or KPIs are not on track, requiring mitigation measures to ensure achievement by the end of the implementation period.	Some Deliverables, Outputs, and/or KPIs are off track and will not be achieved or are expected not to be achieved.
Financial Sustainability (i) Commercialization plan quality; (ii) FS/DC agreement completeness	The FS/DC agreement delivery is on track and the commercialisation plan quality is overachieved.	The commercialisation plan requires minor improvement/s and the FS/DC agreement delivery is on track	At the time of the review, the commercialization plan is completed nevertheless the quality, consistency and relevance of the plan presented cannot confirm the effective completion and/or feasibility.	At the time of the review, the commercialisation plan and/or the FS/DC agreement are not finalized and information available cannot ensure that the consortium will recover the delay within 30 days.

Compliance Compliance with obligations described in the Grant Agreement (e.g. EIT/EU co-branding) and other legal requirements defined in the Financial Support Agreement.	Not applicable.	Activity is compliant with other obligations as described in the Grant Agreement (e.g., EIT/EU co-branding). All entities in the Activity have fulfilled all legal requirements.	The activity is not respecting EIT/EU co-branding.	The activity is not respecting EIT/EU co-branding; and/or One or more entities in the Activity have not yet fulfilled all legal requirements.

5.1 Scoring and Reduction of Grant

Final Assessment	Grant impact
White or Green	No grant Reduction, the grant is paid up to the level of costs incurred (no lump sum).
Orange	The overall amount of grant is decreased proportionally to the non-achievement of the expected result. The overall grant awarded cannot be decreased more than 40% of the eligible costs.
Red	The overall amount of grant is decreased proportionally to the non-achievement of the expected result. The overall grant awarded cannot be decreased more than 100% of the eligible costs.

Type of underperformance	Funding reduction[2]
Missing Core EIT KPI[3]	20%
Missing DEL	10%
Missing FS contract	20%
Missing EITM KIC KPI[4]	5%

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[2] % of funding reduction is calculated on the granted amount and it can be cumulative

[3] KPIs with a target above 10 will have a reduction rate proportional to the specific level of achievement.

[4] KPIs with a target above 10 will have a reduction rate proportional to the specific level of achievement.

6. Lump sum activities

For activities where lump sum funding applies as per the call conditions, there will be no cost reporting. The participants will however have to comply with all other reporting and monitoring requirements/obligations and especially submitting the required deliverables as elaborated in the Call for Proposals so that payments can be made.

7. Simplified Monitoring

The simplified monitoring aims to ensure that there is no:

- Improper implementation of the action;
- Fraud or significant breach; and

will include:

- A Kick-off meeting (Regular contact with the Thematic manager, at least once a quarter);
- A progress review to review the deliverables and the budget consumptions; and
- Final Review.

This simplified monitoring aims to identify key items and rely on it to assess the successful implementation of the action and the respect of the provisions from the Financial Support Agreement.

The following table outlines the scenarios where the Simplified Monitoring approach will be implemented:

Activities	EIT funding awarded	Monitoring
A Consortium of organizations represented by the Activity leader	250 000€ and less / activity	Simplified
Single recipient (mono organization)	60 000€ and less / activity	Simplified
Individual (not receiving a prize)	15 000€ and less / activity	Simplified

Overview of the Simplified Monitoring Process Phases[5]:

Kick-off meeting

Objective:
Presentation of the monitoring process, review of the overall activity objectives and work plan and future steps.

Participants:
Thematic Manager and entity/ies of the awarded grant.

When:
Within 1 month of the Activity's start date (Online meeting).

Additional information:
Q&A on the Reporting Format and Presentation on partnership opportunities and benefits of being part of EIT M ecosystem.

Progress review

Objective:
To assess the status of the activity implementation and ensure that they are progressing in line with their work plan and are contributing to the targets of the Business Plan.

Conducted by:
Thematic Pillar Manager.

Composed of:
Performance Report by the Activity Leader in PLAZA;
Cost report by each entity in PLAZA;
Online meeting between Consortium and Thematic Pillar Manager; and
An Assessment Report produced by the Thematic Pillar Manager.

Final review

Objective:
to assess the overall performance and outcomes of the activity at its completion stage. The Final Review aims to evaluate the achievements, deviations, and justifications presented in the performance report, as well as the financial aspects of the activity.

Conducted by:
Thematic Pillar Manager.

Composed of:
Performance Report by the Activity Leader in PLAZA;
Cost report by each entity in PLAZA;
Online meeting between Consortium and Thematic Pillar Manager; and
An Assessment Report produced by the Thematic Pillar Manager.

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[5] For a more comprehensive explanation of this process, please consult the remaining sections within this chapter.

7.1 Kick-off meeting

The kick-off meeting should take place online between the Thematic Manager and the entity/ies of the awarded grant. The kick-off meeting should take place no later than one month after the actual start date of the project. This meeting should cover, but not be limited to, the following items:

- Presentation of the monitoring process; including planning of subsequent monitoring steps and anticipating future meetings.
- Review of the overall activity objectives and work plan;
- Questions and Answers on reporting format; and
- Presentation on opportunities for our Partners to be part of the ecosystem (Agora, website promotion, etc.).

The participants and the Activity leader might contact the Thematic Manager on a time-to-time basis to support them in addressing all their questions.

7.2 Progress review

Progress reviews are a key milestone of the implementation cycle. The objective of the progress reviews is to assess the status of the activity implementation and ensure that they are progressing in line with their work plan and are contributing to the targets of the Business Plan.

The progress review should be done by the Thematic Pillar Manager[6].

The progress review is usually comprised of four main elements:

1. A performance report to be completed and submitted in PLAZA by the Activity Leader to check/review the completion of the workplan, deliverables, and KPIs. Before submitting the performance report, Activity Leaders need to ensure they submit in PLAZA all deliverables that have been produced and all KPIs that have been achieved since the start of the activity or since the previous progress review (for subsequent reviews).

2. A cost report produced by each individual entity to be submitted in PLAZA reporting on the actual costs incurred during the progress review period as outlined in the table above (e.g., for a progress review taking place in June/July, costs would have to be reported from January up to May). The review of the use budget will be quantitative and carried out by the Finance team of EIT Manufacturing.

At this stage, entities do not need to submit documentation to EIT Manufacturing justifying costs (timesheets, invoices, contracts, etc.) as part of their progress cost report. However, entities must keep appropriate and sufficient evidence to prove the eligibility of all the costs declared, implementation of the action according to the approved activity, and compliance with all the other obligations under the Financial Support Agreement (FSA). If costs are not supported by appropriate and sufficient evidence, they will be rejected. The evidence must be verifiable, auditable, and available. It must be correctly archived for the duration indicated in the FSA. Conditions for cost

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[6] The progress review will follow the 4 eyes principle, and if deemed necessary by the Thematic Manager, a second Thematic Manager will be involved to assist with the review and evaluation of the activity.

eligibility are set out in the Horizon Europe Model Grant Agreement and transposed in the document Eligibility of Expenditure, which is also part of the call package.

Following the submission of the cost report and prior to payment, two types of financial checks will be performed:

- Sample check: EIT Manufacturing reserves the right to verify the eligibility of costs by checking the supporting documents. These checks will be performed on a sample basis by the Finance Department.
- CFS eligibility check: entities reaching a cumulative EIT funding level, for all activities they are involved with, of 430,000€ or higher, at any point between 1 January 2023 and 31 December 2025 will have to provide a Certificate on Financial Statement (CFS), issued by an external auditor. EIT Manufacturing will provide the reference of the appointed auditor. See Chapter 9 for further details on the CFS audit.

If any cost is considered ineligible during the sample check, or as a result of a CFS audit, these costs are excluded from the amount to be paid to the entity. The corresponding payment will be based on the corrected cost reporting.

3. **An online meeting** between representatives of the activity consortium and the Thematic Pillar manager to discuss the content of the performance report prepared by the Activity Leader.

   An assessment report produced by the Thematic Pillar Manager and shared with the Activity Leader at the end of the progress review. In the report, the Thematic manager needs to **review the 4 criteria of assessment** and should **justify** any **orange** or **red assessment** with a comprehensive explanation. In case any of the criteria are assessed **orange** or **red, an action plan needs to be defined with the recipient(s). The action plan will be reassessed during an additional meeting in the next quarter and for the final review.** In case the recipient(s) did not take the necessary action, the grant awarded will be reduced proportionally to the non-implementation of the action.

Illustrative example: a consortium of 3 SMEs is planning to develop an innovative software solution. As part of their plan, they have foreseen the development and promotion of a website to attract their future customers. In the workplan, the recipients have defined it as a specific task to be done by Month 5. During the progress review the website has not been launched, nor any specifications on the content prepared. The criteria "Technical" is assessed as orange for the delay and non-preparation of the task. In addition, the criteria "Financial Sustainability" is also assessed as orange as their commercialization strategy was mainly based on this website. The deliverable for the commercialization strategy is expected Month 10 and will be reviewed during the Final review.

The final assessment of the activity is orange, and an action plan is defined: despite the delay of the task, the website will be defined and launched by Month 10.

7.3 Final Review

Once the implementation of the activity has finished, the entity/ies need to report respectively on performance and costs within one month of the end of the activity.

The final review should be done by the Thematic Pillar Manager[7] and usually comprises four main elements:

1. **Performance report**: to be completed and submitted in PLAZA by the Activity Leader to check/review different aspects of the activity, including explaining achievements, deviations, and corresponding justifications. The report covers Outputs, KPIs and Deliverables. The report shall be complemented by the items detailed below:
   - Deliverables: Activity Leaders need to submit deliverables according to the work plan and due dates. Activity Leaders should use the deliverable templates available in PLAZA to ensure compliance with EIT/EU branding requirements;
   - KPIs: Although KPIs may be achieved throughout the activity, Activity Leaders need to ensure they report KPI achievements before each review and at the end of the activity implementation. KPI achievements need to be submitted together with related supporting documents according to the KPI guidelines;
   - Activity Performance Report on Cost (APR-C): The APR-C is submitted in PLAZA by the Activity Leader via an online form as preparation for the performance review. The report provides justifications for cost deviations (overspending or underspending) at activity level. The report is based on the total activity budget (i.e., 100% of the incurred costs must be reported, not only the part covered by the EIT funding).

2. **Cost report** is done in PLAZA at entity level (i.e., not at activity level as performance reporting). Each entity must report the total costs incurred until the end of the year and has to provide the following documents:
   - Invoice and proof of payment for purchases of goods and services above 5.000 €; and
   - Pay slips and timesheets of the personnel working on the activity.

   Please note that:

   - If the total costs reported are higher than the latest approved budget, the excess is covered by the entity's co-funding.
   - If the total costs reported are lower than the latest approved budget, the original entity co-funding is maintained, and the financial support is reduced accordingly.

3. **An online meeting** between representatives of the activity consortium and the Thematic Pillar manager to discuss the content of the performance report prepared by the Activity Leader.

4. **An assessment report** produced by the Thematic Pillar Manager and shared with the Activity Leader at the end of the final review. **The final review to be provided by the Thematic Manager will be finalized once the Operations Team provides its feedback on the compliance of the costs.**
   In the report, the Thematic manager needs to **review the 4 criteria of assessment** and should **justify** any **orange** or **red assessment** with a comprehensive explanation.

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[7] The final review will follow the 4 eyes principle, and if deemed necessary by the Thematic Manager, a second Thematic Manager will be involved to assist with the review and evaluation of the activity.

Once the Thematic Manager has shared the **final assessment** with the recipient(s), **any complaints should be raised within 5 working days.** If no complaint has been raised the payment process will start based on the conclusion of the assessment.

8. Full Monitoring

The full monitoring aims to ensure that there is no:

- Improper implementation of the action;
- Fraud or significant breach;
- Under-achievement compared to the expected result and impact; and

will include:

- Kick-off Meeting;
- Quarterly review of the activity, which may lead to adjustments and rescoping of the activity;
- A progress review to review the deliverables, KPI and budget consumptions; and
- A final review.

This full monitoring aims to monitor activities receiving a significant amount of grants and secure the result and impact to be achieved through our Thematic portfolio.

The following table outlines the scenarios where the Full Monitoring approach will be implemented:

Activities	EIT funding awarded	Monitoring
A Consortium of organizations represented by the Activity leader	250 001€ and above / activity	Full
Single recipient (mono organization)	60 001€ and above / activity	Full
Individual (not receiving a prize)	15 001€ and above / activity	Full

Overview of the Full Monitoring Process Phases[8]:

Kick-off meeting

Objective:
Presentation of the monitoring process, review of the overall activity objectives and work plan and future steps.

When:
Within 1 month of the Activity's start date (Online meeting).

Participants:
Thematic Manager and entity/ies of the awarded grant.

Additional information:
Q&A on the Reporting Format and Presentation on partnership opportunities and benefits of being part of EIT M ecosystem.

Quarterly review

Objective:
Close follow-up of the achievement of the activity and ensure the proper contribution to the Thematic portfolio.

Conducted by:
Thematic Pillar Manager.

When:
1-Year Activity: In Month 4 and Month 10.
2-Year Activity: Month 4, Month 10, Month 16, Month 22.

Submission:
Template will be provided by the Operations Team in PLAZA and will be available from Day 1 of Month 4 and should be submitted by Day 12 of Month 4.

Progress review

Objective:
To assess the status of the activity implementation and ensure that they are progressing in line with their work plan and are contributing to the targets of the BP.

Conducted by:
Thematic Pillar Manager.

When:
Activities up to 11 Months: based of the specificity of the activity.
12 Months Activities: 1 Review covering Months 1-5.
24-Months activities: 3 reviews, covering Months 1-5, 6-11, and 12-17.

Composed of:
Performance Report by the Activity Leader in PLAZA;
Cost report by each entity in PLAZA;
Online meeting between Consortium and Thematic Pillar Manager; and
Assessment Report produced by the Thematic Pillar Manager.

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[8] For a more comprehensive explanation of this process, please consult the remaining sections within this chapter.

Final review

Objective:
to assess the overall performance and outcomes of the activity at its completion stage. The Final Review aims to evaluate the achievements, deviations, and justifications presented in the performance report, as well as the financial aspects of the activity.

Conducted by:
Thematic Pillar Manager.

When:
Entity/ies need to report respectively on performance and costs within 1 month of the end of the activity.

Composed of:
Performance Report by the Activity Leader in PLAZA;
Cost report by each entity in PLAZA;
Online meeting between Consortium and Thematic Pillar Manager; and
An Assessment Report produced by the Thematic Pillar Manager.

8.1 Kick-off meeting

The kick-off meeting should take place online between the Thematic Manager and the entity/ies of the awarded grant. The kick-off meeting should take place no later than one month after the actual start date of the project. This meeting should cover, but not be limited to, the following items:

- Presentation of the monitoring process; including planning of subsequent monitoring steps and anticipating future meetings.
- Review of the overall activity objectives and work plan;
- Questions and Answers on reporting format; and
- Presentation on opportunities for our Partners to be part of the ecosystem (Agora, website promotion, etc.).

The participants and the Activity leader might contact the thematic manager on a time-to-time basis to support them in addressing all their questions.

8.2 Quarterly review

The quarterly review should be done by the Thematic Manager for a period of 3 months completed. Concretely, for a activity of 12 months there will be 2 quarterly reviews in Month 4 and Month 10. For an activity of 24 months, there will be 4 quarterly reviews in Month 4, 10, 16 and Month 22. The quarterly review could be conducted with the **4 eyes principle, and if required by the Thematic Manager**, a second Thematic Manager will be involved to support the review and assessment.

The **template** to be used for the quarterly review is the one **provided by the Operations Team** through PLAZA. The template will be available and editable from Day 1 of Month 4 to Day 12 of Month 4, when it should be submitted to the thematic manager for discussion.

The Activity Leader will ensure the document is ready and shared prior to the meeting with the Thematic manager. If the Thematic manager does not receive the document prior to the meeting, the meeting will be rescheduled.

This monitoring document aims to have a **close follow-up of the achievement of the activity and ensure the proper contribution to the Thematic portfolio. This review will be qualitative and based on materials that the recipient(s) will provide on a continuous basis, and it includes a review of the completion of deliverables, KPIs and budget.**

8.3 Progress Review

Progress reviews are a key milestone of the implementation cycle. The objective of the progress reviews is to assess the status of the activity implementation and ensure that they are progressing in line with their work plan and are contributing to the targets of the Business Plan.

The progress review should be done by the Thematic Pillar Manager[9]. The number of interim reviews depends on the activity duration (see table below).

Activities duration	Number of progress reviews
Activities up to 11 months	The number of reviews is based on the specificities of the activities.
Activities of 12 months	1 progress review covering the period M1-M5 which will take place during June/July.
Activities of 24 months	3 progress review covering the periods M1-M5 in June/July, M6-M11 in December/January, M12-M17 in June/July.

The progress review is usually comprised of four main elements:

1. A performance report to be completed and submitted in PLAZA by the Activity Leader to check/review the completion of the workplan, deliverables, and KPIs. Before submitting the performance report, Activity Leaders need to ensure they submit in PLAZA all deliverables that have been produced and all KPIs that have been achieved since the start of the activity or since the previous progress review (for subsequent reviews).

2. A cost report produced by each individual entity to be submitted in PLAZA reporting on the actual costs incurred during the progress review period as outlined in the table above (e.g., for a progress review taking place in June/July, costs would have to be reported from January up to May). The review of the use budget will be quantitative and carried out by the Finance team of EIT Manufacturing.

At this stage, entities do not need to submit documentation to EIT Manufacturing justifying costs (timesheets, invoices, contracts, etc.) as part of their progress cost report. However, entities must keep appropriate and sufficient evidence to prove the eligibility of all the costs declared, implementation of the action according to the approved activity and compliance with all the other obligations under the Financial Support Agreement (FSA). If costs are not supported by appropriate and sufficient evidence, they will be rejected. The evidence must be verifiable, auditable, and available. It must be correctly archived for the duration indicated in the FSA. Conditions for cost eligibility are set out in the Horizon Europe Model Grant Agreement and transposed in the document Eligibility of Expenditure, which is also part of the call package.

Following the submission of the cost report and prior to payment, two types of financial checks will be performed:

- Sample check: EIT Manufacturing reserves the right to verify the eligibility of costs by checking the supporting documents. These checks will be performed on a sample basis by the Finance Department.

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[9] The progress review will follow the 4 eyes principle, and if deemed necessary by the Thematic Manager, a second Thematic Manager will be involved to assist with the review and evaluation of the activity.

- CFS eligibility check: entities reaching a cumulative EIT funding level, for all activities they are involved with, of 430,000€ or higher, at any point between 1 January 2023 and 31 December 2025 will have to provide a Certificate on Financial Statement (CFS), issued by an external auditor. EIT Manufacturing will provide the reference of the appointed auditor. See Chapter 8 for further details on the CFS audit.

If any cost is considered ineligible during the sample check, or as a result of a CFS audit, these costs are excluded from the amount to be paid to the entity. The corresponding payment will be based on the corrected cost reporting.
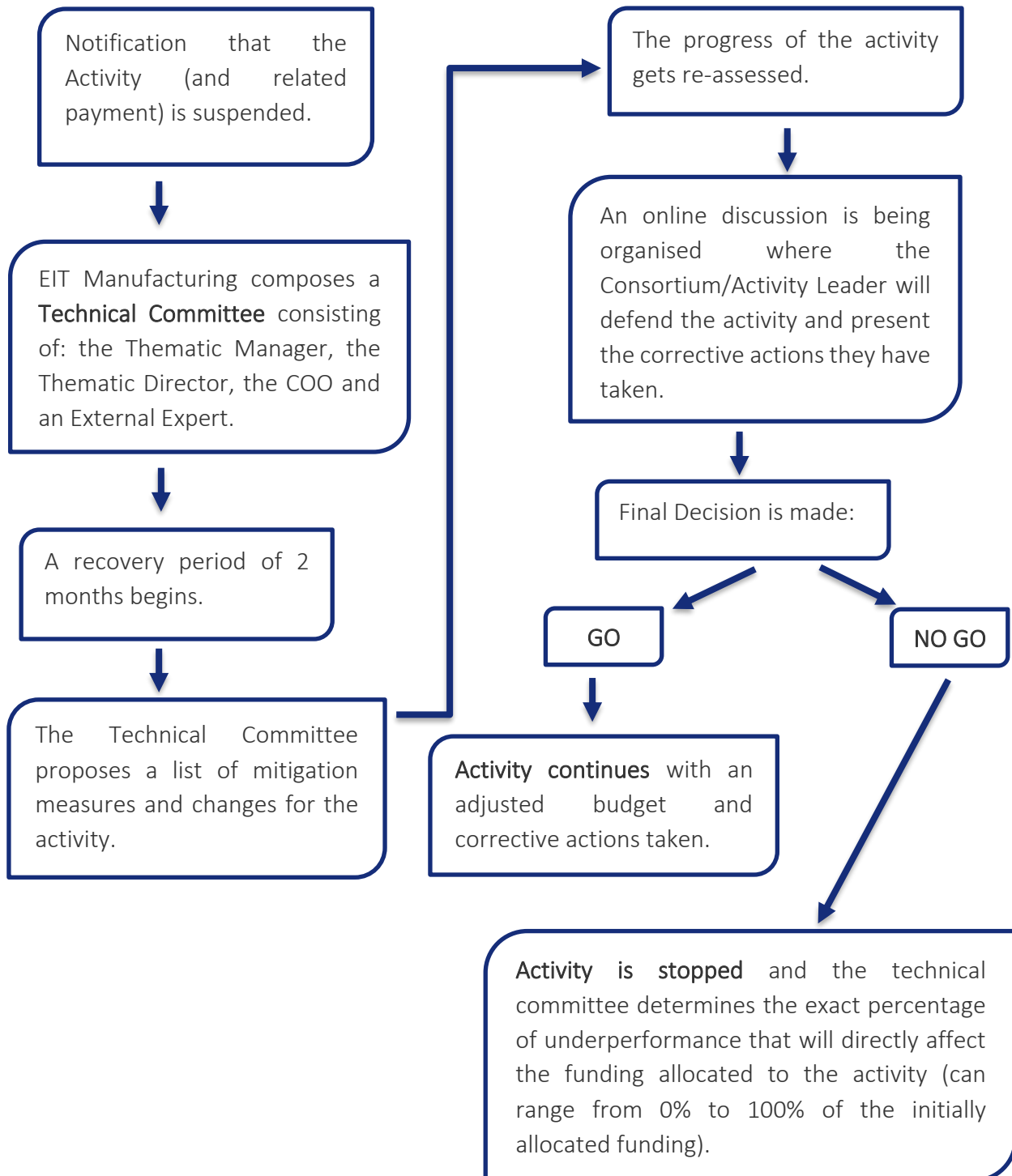
3. **An online meeting** between representatives of the activity consortium and the Thematic Pillar manager to discuss the content of the performance report prepared by the Activity Leader.

4. **An assessment report** produced by the Thematic Pillar Manager and shared with the Activity Leader at the end of the progress review. In the report, the Thematic manager needs to **review the 4 criteria of assessment** and should **justify** any **orange** or **red assessment** with a comprehensive explanation. In case any of the criteria are assessed **orange** or **red, an action plan needs to be defined with the recipient(s). The action plan will be reassessed during the next quarterly monitoring and during the next progress or final review** respectively. In case the recipient(s) did not take the necessary action(s), the grant awarded will be reduced proportionally to the non-implementation of the action.

In line with EIT Guidelines, the EIT Manufacturing monitoring will assess activities as Green, White, Orange or Red (as outlined in Chapter 5).

In case of severe underperformance is identified and despite the regular meetings and the recommendations expressed during the monitoring, the Thematic manager will need to inform the Thematic Director and the COO, always keeping the Operations Team in cc and launching the technical committee process (see section 7.3.1).

8.3.1 Severe Underperformance – Technical Committee

When an activity is evaluated as Orange or Red during the Progress Review and fails to improve or worsens in the subsequent review, even after implementing an action plan, EIT Manufacturing initiates a specific process to address the severe underperformance.

Notification that the Activity (and related payment) is suspended.

↓

EIT Manufacturing composes a **Technical Committee** consisting of: the Thematic Manager, the Thematic Director, the COO and an External Expert.

↓

A recovery period of 2 months begins.

↓

The Technical Committee proposes a list of mitigation measures and changes for the activity.

→

The progress of the activity gets re-assessed.

↓

An online discussion is being organised where the Consortium/Activity Leader will defend the activity and present the corrective actions they have taken.

↓

Final Decision is made:

↙ GO   NO GO ↘

Activity continues with an adjusted budget and corrective actions taken.

Activity is stopped and the technical committee determines the exact percentage of underperformance that will directly affect the funding allocated to the activity (can range from 0% to 100% of the initially allocated funding).

From the day of notification (email or other) to the AL of the technical committee process as described above, the activity and payments are suspended. The technical committee will not take longer than 1 month to provide feedback and a final decision. The decision can be appealed within 10 days after receiving the notification.

8.4 Final Review

Once the implementation of the activity has finished, the entity/ies need to report respectively on performance and costs within one month of the end of the activity.

The final review should be done by the Thematic Pillar Manager[10] and is usually comprised of four main elements:

1. **Performance report:** to be completed and submitted in PLAZA by the Activity Leader to check/review different aspects of the activity, including explaining achievements, deviations, and corresponding justifications. The report covers Outputs, KPIs and Deliverables. The report shall be complemented by the items detailed below:
    - Deliverables: Activity Leaders need to submit deliverables according to the work plan and due dates. Activity Leaders should use the deliverable templates available in PLAZA to ensure compliance with EIT/EU branding requirements;
    - KPIs: Although KPIs may be achieved throughout the activity, Activity Leaders need to ensure they report KPI achievements before each review and at the end of the activity implementation. KPI achievements need to be submitted together with related supporting documents according to the KPI guidelines;
    - Activity Performance Report on Cost (APR-C): The APR-C is submitted in PLAZA by the Activity Leader via an online form as preparation for the performance review. The report provides justifications for cost deviations (overspending or underspending) at activity level. The report is based on the total activity budget (i.e., 100% of the incurred costs must be reported, not only the part covered by the EIT funding).
2. **Cost report** is done in PLAZA at entity level (i.e., not at activity level as performance reporting). Each entity must report the total costs incurred until the end of the year and has to provide the following documents:
    - Invoice and proof of payment for purchases of goods and services above 5.000 €; and
    - Pay slips and timesheets of the personnel working on the activity.

    Please note that:

    - If the total costs reported are higher than the latest approved budget, the excess is covered by the entity's co-funding.
    - If the total costs reported are lower than the latest approved budget, the original entity co-funding is maintained, and the financial support is reduced accordingly.

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[10] The final review will follow the 4 eyes principle, and if deemed necessary by the Thematic Manager, a second Thematic Manager will be involved to assist with the review and evaluation of the activity.

3. **An online meeting** between representatives of the activity consortium and the Thematic Pillar manager to discuss the content of the performance report prepared by the Activity Leader.

4. **An assessment report** produced by the Thematic Pillar Manager and shared with the Activity Leader at the end of the final review. **The final review to be provided by the Thematic Manager will be finalized once the Operations Team provides its feedback on the compliance of the costs.**
   In the report, the Thematic manager needs to **review the 4 criteria of assessment** and should **justify** any **orange** or **red assessment** with a comprehensive explanation.

Once the Thematic Manager has shared the **final assessment** with the recipient(s), **any complaints should be raised within 5 working days.** If no complaint has been raised the payment process will start based on the conclusion of the assessment.

Illustrative example: the consortium of 3 SMEs did not implement the action plan agreed after the progress review and the website has not been launch by the end of the activity. Nevertheless, the software is ready and the survey from users is promising.

Despite the main part of the activity considered as successful the final assessment remains orange as the original plan and actions was not fulfilled. The grant is reduced for the budget allocated to the task.

9. Certificate on financial statement

After each progress or final cost reporting, EIT Manufacturing will proceed with the payment.

Prior to the payment, the cumulative funding received by an individual entity in the Business Plan 2023-2025 for all the EIT Manufacturing activities they participate in will be checked. Whenever an entity reaches a cumulative EIT funding of 430,000€, a Certificate on Financial Statement (CFS) audit will be requested prior to the payment. The CFS audit will be performed by an external auditor. EIT Manufacturing will provide the reference of the appointed auditor.

The CFS review is independent and additional from the EIT Manufacturing internal cost check described in chapter 6 and 7.

The scope of the CFS audit is to check the eligibility of the costs reported so far by a specific partner for all activities where they participate, cumulatively. The first CFS audit will check costs reported up to a specific date "D". A second CFS audit (meaning a partner reaches again a cumulative EIT funding of 430,000€) would check the costs reported from date "D+1 day" to date "D2", and so on.

The result of each CFS audit can be either:

1. No findings are detected. All costs are paid according.
2. The auditor report lists findings: EIT Manufacturing Finance department will decide if the findings correspond to ineligible costs. The decision will be based on conditions for cost eligibility set out in the Horizon Europe Model Grant Agreement and transposed in the document "Eligibility of Expenditure", which is part of EIT Manufacturing Call for Proposals documentation. In the case that EIT Manufacturing determines that the CFS findings are ineligible costs, these costs are excluded from the amount to be paid to the partner.

10. Payments

EIT Manufacturing distributes the EIT funding directly to each of the entities participating in the approved activities in instalments. The payments lifecycle is annual (also for activities whose duration is above 12 months). The details related to the instalments and final payment conditions (payment structure, etc) are defined in the call guidelines. Based on these provisions, different payment proportions are foreseen for the instalments.

The standard payment scheme is the following:

- A proportion of the activity budget will be prefinanced.
- The second instalment is linked to the progress monitoring. The payment is triggered when the project is classified as green or white at the end of the progress performance review. If the activity is classified as orange or red in the full monitoring progress report, the payment is withheld until the action plan is fulfilled. If conditions are not fulfilled and EIT Manufacturing decides to terminate the activity, the activity will undergo a Final Review to determine the final balance payment (amount of funding to be paid to/reimbursed by the project partners).
- The last instalment will be transferred at the end of the activity, once eligible costs have been determined and following the completion of final activity monitoring assessment and the fulfilment of all obligations specified in the Financial Support Agreement. It covers the remaining EIT funding according to the last approved performance review, and it is based on the costs reported in the Final Review and approved by EIT Manufacturing. At this stage, EIT funding for a project may be reduced in case of underperformance assessed during the Final Review. The methodology for grant reduction is outlined in Chapter 5.

Important Disclaimer: The payments will be subject to the availability of funds stemming from EIT and provided that the relevant (Model) Grant Agreement between EIT Manufacturing and EIT is in place.

11. Annex

The Activity Monitoring Guidelines feature an Annex that provides a comprehensive timeline for monitoring activities. To access the Annex, kindly follow the provided link below:

Annex 1 - Detailed Timeline of Monitoring Activities