

Decision in case 1878/2019/LM on how the Executive Agency for Small and Medium-sized Enterprises (EASME) dealt with a complaint from a participant in the Erasmus for Young Entrepreneurs programme

Decision

Case 1878/2019/LM - Opened on 20/11/2019 - Decision on 02/07/2020 - Institution concerned European Innovation Council and SMEs Executive Agency |

The complainant, a young Italian entrepreneur, participated in an exchange with a more experienced entrepreneur in Germany in the context of the 'Erasmus for Young Entrepreneurs programme' set up by the EU Executive Agency for Small and Medium-sized Enterprises (EASME). The exchange was terminated early. The complainant considered that EASME had failed to monitor the exchange and he wished to be compensated financially. EASME allowed the complainant another exchange for the remaining period, but it did not grant him any financial compensation.

The Ombudsman found that EASME had investigated the case diligently and that its decision not to pay compensation was in accordance with the rules governing the programmes. The Ombudsman therefore closed the inquiry with a finding of no maladministration. The Ombudsman made a suggestion for improvement to EASME for the purpose of ensuring that the entrepreneurs involved are duly informed of the intention to terminate an exchange early.

Background to the complaint

1. The complainant, an Italian entrepreneur, participated in the Erasmus for Young Entrepreneurs programme [1], set up by the Executive Agency for Small and Medium-sized Enterprises (EASME). In this programme, experienced entrepreneurs (host entrepreneurs) host less experienced entrepreneurs (young entrepreneurs) from another Member State, for a period of up to six months.

2. Local organisations in the Member States, called 'intermediary organisations' and selected by EASME, select the participating entrepreneurs and manage the exchange programme. The intermediary organisation where the exchange takes place, the 'host intermediary organisation, acts as the local contact point for the young entrepreneurs during their stay. The host intermediary organisation assists the young entrepreneur and monitors, together with the



intermediary organisation of the young entrepreneur's home country, that the exchange goes smoothly [2] [\[Link\]](#). Before the exchange starts, the intermediary organisations verify the suitability of the entrepreneurs and that an exchange is eligible for funding [3] .

3. The intermediary organisations and the entrepreneurs agree on the objectives of the exchange and the mutual responsibilities of the entrepreneurs in a 'commitment' [4] [\[Link\]](#). The intermediary organisation of the young entrepreneur's home country signs a financial agreement with the young entrepreneur and pays him or her a monthly allowance [5] [\[Link\]](#).

4. The complainant participated in an exchange in Germany, to last from February to July 2019. The exchange ended in May 2019 and the host entrepreneur was subsequently excluded from the Erasmus for Young Entrepreneurs programme. From May to August 2019, the complainant corresponded with the intermediary organisations and with EASME. He disagreed with the decision to terminate the exchange and asked to be paid the monthly allowance also for the period May to July.

5. In July 2019, EASME decided not to compensate the complainant for the period May to July. EASME also decided not to give the complainant the possibility to participate in another exchange. In September 2019, EASME reconsidered its decision and decided to allow the complainant to do a second exchange, for the remaining period of approximately three months.

6. Dissatisfied with how EASME had handled the matter, the complainant turned to the Ombudsman in October 2019.

The inquiry

7. The Ombudsman opened an inquiry into how EASME had monitored the exchange and its refusal to settle the complainant's claim for financial compensation.

8. In the course of the inquiry, the Ombudsman received the reply of EASME and the complainant's comments.

Arguments presented to the Ombudsman

Arguments presented by the complainant

9. The complainant said that he had flagged to the host intermediary organisation that the host entrepreneur did not comply with certain aspects of the commitment. For example, the complainant had to use his own equipment (such as his computer and camera) to do the work and he was asked to do tasks that were not included in the commitment. Furthermore, he had to work in a building that was being renovated, where the air contained substances potentially dangerous to his health. However, he did not want the exchange to be terminated early. The complainant believes that, if the intermediary organisation had intervened in a timely way to



address these problems, the exchange could have continued [\[6\] \[Link\]](#).

10. The complainant contended that EASME had failed to monitor and sanction the host intermediary organisation for not complying with its obligations. He listed the following shortcomings in the host intermediary organisation's management of the programme:

- It decided to terminate the exchange without contacting him beforehand and without his approval;
- It failed to meet him in person at the beginning of the stay [\[7\] \[Link\]](#) and when problems arose [\[8\] \[Link\]](#);
- It did not contact him at the beginning of the exchange to introduce him to the staff in charge and to explain the support services available to him during the stay;
- It failed to inform him about the need to alert it in case of problems and about the consequences of a failed relationship;
- It asked him and the host entrepreneur to evaluate their relationship through a questionnaire which, according to the complainant, was inadequate to assess the real situation;
- It should not have allowed the host entrepreneur to participate in the programme in the first place, because he had other failed exchanges in the past;
- It should have informed the complainant that the entrepreneur had had other failed exchanges;
- It failed to verify that the host entrepreneur had the equipment required to do the tasks set out in the commitment.

11. The complainant noted that, when a relationship fails because of the host entrepreneur, the only sanction is exclusion from the programme [\[9\] \[Link\]](#). The complainant believes that EASME should apply economic sanctions to host entrepreneurs who do not comply with the rules of the programme or with the commitment.

12. The complainant would like to be paid the grant that he should have received for the period May to July 2019, as financial compensation for the expenses incurred during his stay abroad.

Arguments presented by EASME

13. EASME said that it is responsible for verifying that EU funds are spent according to the rules of the programme and for intervening in case of problems. It is a common practice to terminate an exchange when the objectives agreed upon in the commitment can no longer be achieved. EASME had thus approved the intermediary organisation's decision to terminate the exchange in question. The complainant had on several occasions described the relationship with the host entrepreneur as "unsatisfactory" and it seemed impossible for the two entrepreneurs to continue working together in what appeared to be a conflictual situation. EASME also agreed to exclude the host entrepreneur from future programmes.

14. EASME argued that the intermediary organisations had been in constant contact with the complainant and that he had been informed in a timely way about the decision to terminate the exchange.



15. EASME carries out quality checks, both on a structural basis and on a case-by-case basis, if need be. It monitors the work of the intermediary organisations through checks of randomly selected exchanges, to verify whether they are eligible for funding.

16. As soon as it was contacted by the complainant, EASME examined the file relating to the case, including the e-mail exchanges between the complainant and the intermediary organisations. EASME asked the support office [\[10\] \[Link\]](#) to investigate the case. Normally young entrepreneurs are allowed to take part in one exchange only [\[11\] \[Link\]](#). However, if a match has failed due to the host entrepreneur not following the rules of the programme or the terms of the agreed commitment, the European Commission and EASME may, in exceptional cases, consider granting the young entrepreneur a second exchange. This was done in the present case. However, the exchanges must not exceed six months in total [\[12\] \[Link\]](#).

17. EASME considered that, under the rules of the programme and the financial agreement, the complainant cannot be paid any financial compensation for the early termination of the exchange. Doing so in the complainant's case would be contrary to the principle of equal treatment of the young entrepreneurs. The aim of the monthly allowance is to reduce the financial burden for going on an exchange abroad, but it is for the young entrepreneurs to arrange the modalities of their stay.

The Ombudsman's assessment

18. The Ombudsman's review in this case is limited to examining whether EASME handled the complaint reasonably and in accordance with the principles of good administration. The Ombudsman cannot review the actions of the intermediary organisations.

19. The complainant considers that the intermediary organisation failed on two main aspects: The intermediary organisation considered the host entrepreneur suitable to take part in the exchange when, in fact, he was not due to failed exchanges in the past, and the intermediary organisation failed to provide adequate assistance. The complainant considers that EASME should have taken action in this regard.

20. According to EASME, a "failed exchange" in the past may simply mean that it was not possible to achieve the objectives agreed at the start of the exchange. A failed exchange does not necessarily mean that one of the parties misbehaved. There is nothing to suggest that EASME had evidence of past misbehaviour on the part of the host entrepreneur that would have justified its intervention at an earlier stage of the process. Regarding the assistance given to the complainant, the correspondence between the complainant and the intermediary organisations that the Ombudsman has seen shows that the intermediary organisations were in constant contact with the complainant during and after the exchange.

21. On the basis of the above, the Ombudsman considers that EASME has made a reasonable assessment of how the intermediary organisations handled the matter, that it investigated the complainant's case diligently and that it drew reasonable conclusions. EASME's decision not to



pay to the complainant the grant for the period May to July 2019, but to allow him to do another exchange for the remaining three months, is in line with the rules of the programme and is a fair solution.

22. Although it is regrettable that the exchange in which the complainant took part was not satisfactory, the Ombudsman finds no maladministration by EASME.

23. With a view to avoiding similar situations in the future, EASME may consider introducing in the Implementation Manual a provision saying that when an intermediary organisation intends to terminate an exchange early, its intention should be clearly communicated to the parties concerned, who should be given the opportunity to comment. The Ombudsman will make a suggestion for improvement in this regard.

Conclusion

Based on the inquiry, the Ombudsman closes this case with the following conclusion:

There was no maladministration by EASME in how it dealt with a complaint from a participant in the Erasmus for Young Entrepreneurs programme.

The complainant and EASME will be informed of this decision .

Suggestion for improvement

EASME could introduce in the Quality Manual a provision saying that when an intermediary organisation intends to terminate an exchange early, its intention should be clearly communicated to the parties concerned, who should be given the opportunity to comment.

Emily O'Reilly

European Ombudsman

Strasbourg, 02/07/2020

[1] [Link] More information available at <https://www.erasmus-entrepreneurs.eu/> [Link]

[2] [Link] Point 3.2.2 of the Erasmus for Young Entrepreneurs Implementation Manual for Intermediary Organisations (Quality Manual).



[3] [\[Link\]](#) Points 1.2.3 and 2.4.1 of the Quality Manual. According to point 1.2.3.5 of the Quality Manual, host entrepreneurs can participate in the programme if they are owner-managers of a company or persons directly involved in entrepreneurship of the company at management board level. The intermediary organisation has to assess the motivation of the applicant, in particular regarding the applicants' desire to share their entrepreneurial experience and act as mentors.

[4] [\[Link\]](#) Point 2.3.2 of the Quality Manual.

[5] [\[Link\]](#) The Agreement for financial support to the new entrepreneur (financial agreement) is signed between the new entrepreneur and the intermediary organisation and foresees payment of the monthly lump sums, according to Point 2.5 of the Quality Manual. .

[6] [\[Link\]](#) Point 4.4.1 of the Quality Manual states that “ *IOs are expected to sort out the problem directly with the entrepreneur in a relatively short period of time, without any unjustified delay. IOs dealing with complaints are encouraged, whenever practical, to meet with the NE/HE to ensure a mutual understanding of the issue* ”.

[7] [\[Link\]](#) Point 3.2.2 of the Quality Manual states that “ *Right at the beginning of the stay, the HIO should via a meeting or phone call contact the NE to introduce him/her to the organisation, the staff in charge of the relationship and the support services available to him/her during the stay* ”.

[8] [\[Link\]](#) Point 4.4.1 of the Quality Manual.

[9] [\[Link\]](#) Point 3.3.2.3 of the Quality Manual.

[10] [\[Link\]](#) The support office is an external organisation working on behalf of the EASME under a service contract. It can intervene in case of any problem in the daily management of the programme.

[11] [\[Link\]](#) Point 2 of the Programme Benefits of the Quality Manual.

[12] [\[Link\]](#) Point 3.3.2.3 of the Quality Manual.