2018 Discharge to the Commission

WRITTEN QUESTIONS TO COMMISSIONER MOEDAS

Hearing on 12 November 2019

Horizontal questions

1. Could the Commission list all error rates reported in DG R&Is AAR and AMPR and provide an explanation for the basis of calculation (how does the Commission arrive at these error rates, are they based on historical data or projections?)?

Commission's answer:

The Commission presents error rates for each of its departments in the AARs and across policy area in its AMPR. As EU spending programmes are multiannual by design, the related control systems and management cycles also cover multiple years (while errors may be detected in any given year, they are corrected in the current or in subsequent year(s)). Consequently, the risk is estimated at two key stages in the cycle: at payment and at closure.

The risk at payment quantifies those errors that might remain after preventive controls have been applied and payments have been made (see also reply to Question 5). It is estimated by each department in their annual activity report, typically based on the 'detected error rates' from their ex-post controls and audits. As part of this common methodology, some departments may also use more tailored terminology – in the case of the Research departments that is the "common representative error rate" (reflecting the results from their Common Representative Audit Sample) which is used by all Research departments as basis for their estimations for their segment(s). To determine the risk at closure, the estimated future corrections are deducted from the risk at payment (see 2018 AMPR subsection 2.1 and Annex 2).

In addition, in the specific context of the overall assurance building process, the Commission's authorising officers by delegation determine the residual error rate for each programme (see 2018 AMPR subsection 2.5 and Annex 3). This residual error rate takes into account those corrections that have already been made up to the moment of reporting (i.e. March n+1). Where this residual error rate is above the materiality threshold, they qualify their declaration of assurance with a reservation.

In the case of DG RTD, the concepts explained above are duly applied as follows:

The Annual Activity Report (AAR) of DG R&I, Annex 4, (pages from 116 to 118), describes the basis of calculation of the error rates.

The calculation of the error rates reported is based on factual data – not in projections or estimations - as they are the result of the audits carried out by the Commission's services that stem from the (common) Research Audit Strategy.

As described in the AAR, the Control Strategy is multiannual; therefore, the calculation of detected errors, corrections and materiality of the residual risk is done on a "cumulative basis" on the basis of the totals over the entire programme lifecycle.

Because of its multiannual nature, the effectiveness of the Research services' control strategy can only be fully measured and assessed at the final stages in the life of the framework programme, once the ex-post audit strategy has been fully implemented and systematic errors have been detected and corrected.

As regards the list of error rates reported in the DG R&I AAR 2018, in line with the Commission's methodology, they are thus the following:

For FP7:

Research "Common representative error rate" is 5.26%

DG RTD's overall detected error rate amounts to 5.14%

DG RTD's residual error rate amounts to 3.36%

For H2020:

Research "Common representative error rate" is 3.32%

DG RTD's overall detected error rate amounts to 1.62%

DG RTD's residual error rate amounts to 2.45%

2. Could the Commission provide a description of the auditing process, including the institutions involved, possibly with a timeline?

Commission's answer:

The Commission has drawn a corporate multi-annual Horizon 2020 Audit Strategy, which defines how the ex-post audits are to be carried out. The Horizon 2020 audit campaign started in 2017 and is foreseen to finish in 2026.

The implementation of the Horizon 2020 Audit Strategy is the responsibility of the Common Audit Service (CAS) within the Common Implementation Centre (CIC) hosted by DG R&I. The CAS has been designated as the single entity for implementing the Horizon 2020 audit campaign on behalf of the CIC stakeholders.

In the context of Research Framework Programme actions, audits aim at verifying the beneficiary's compliance with the financial contractual provisions, in view of assessing the legality and regularity of the transaction underlying the implementation of the Union budget. The legal basis for the financial audits is included in the Grant Agreement(s) (GA) signed between the European Commission/Agency/Joint Undertaking and the beneficiary(ies).

The Audit Process is composed of the following phases:

- AUDIT PLANNING
- AUDIT EXAMINATION
- AUDIT REPORTING
- AUDIT CLOSURE

The overall Audit Process covers all stages following the decision to perform a certain individual audit engagement taken by the management of the Common Audit Service (Audit Decision) until the formal closure of the audit.

3. What is the Commission's opinions about the idea of introducing centralised sampling where the Commission defines the sample for each Member State as the basis for the national audit authorities' checks?

Commission's answer:

In the current MFF, sampling for H2020 grants (direct management mode) takes place at the level of participating beneficiaries and not at the level of Member-States. Therefore, as the question applies only to shared management it does not concern DG R&I's (in) direct management.

4. Could the Commission provide a list of all studies paid for by your DG since 2009 indicating the topic/title, who conducted the study, if it was published or not (if published, including date) and the total cost of the study?

Commission's answer:

The Commission notes that annexes 9 of the 2017 and 2018 Annual Activity Reports of DG R&I present parts of the requested information. The Honourable Members are referred to Annex 1 where the available tables for the last two years are provided.

Regarding the total cost of the studies, this information is not readily available and the Commission would need more time to address this request. In case the Honourable Members have in mind any particular study, DG R&I could provide more details individually.

5. ECA uses a different methodology for calculating the error rate than the Commission. How does the Commissions methodology compare to ECA's methodology? Could the Commission explain why it uses its methodology and what its reasoning is for using this methodology rather than the methodology used by ECA?

Commission's answer:

The Commission's methodology and concepts have been developed to **fit the Commission's management context**, but they **largely converge with those used by the European Court of Auditors** in its audit approach (see 2018 AMPR p. 153 and Annex 2). Our "risk at payment" is closest to the European Court of Auditors' "most likely / estimated level of error". In recent years, the Court has recognised that the Commission figures are, in most cases, broadly in line with the Court's own estimates and/or within its range.

Yet the **different roles and needs of our two institutions** are respected. As manager of the EU Budget, the Commission's objective is to identify weaknesses and to take remedial action, wherever possible, on a multiannual basis. The objective of the error rates reported by the European Court of Auditors, as external auditor, is to provide an audit opinion on the legality and regularity of expenditure of one specific year.

As EU spending programmes are multiannual by design, the Commission's related control systems and management cycles also cover multiple years. This implies that while errors may be detected in any given year, they are corrected in the current or in subsequent year(s) until the very end of a programme's lifecycle. Consequently, the risk (both as % and in amount) is estimated at two key stages in the cycle: at payment and at closure, as per the terminology used in the AMPR.

In addition, in order to be able to provide bottom-up management assurance, and to identify and address issues in specific areas, the Commission calculates the error rates per programme (or other relevant segment). The Commission's error rates are based on a bottom-up approach, involving the results of thousands of checks on EU expenditure. This means that the Commission's information on error rates is more detailed than that of the Court. Without this level of detail, the Commission would not be able to take the appropriate remedial action, e.g. suspending a payment, asking a Member State or a beneficiary to pay back money, or asking a Member State to present a plan for improving its management and control system.

Coordination in shared management

6. 44% of the Horizon 2020 budget is administered by other administrative bodies than the DG R&I. How does DG R&I guarantee coordination?

Commission's answer:

The Commission has established a governance structure and a dedicated Directorate in DG R&I (the Common Implementation Centre - CIC) for assuring the coordination of implementation and coherence across all bodies involved in the implementation of Horizon 2020. This structure comprises several bottom-up decision-making layers, from business process steering committees discussing technical operational matters covering all areas of programme implementation, to the Executive Committee composed of Directors of all R&I DGs, Executive Agencies and Joint Undertakings. The CIC reports to a Steering Board of all Directors-General involved in Horizon 2020 implementation.

Moreover, coordinated by the CIC, all implementing bodies use the same processes, rules, guidance and IT system for managing the entire lifecycle of Horizon 2020, from proposal submission to evaluation, grant signature, reporting and audit. Also, training for project officers is organised centrally.

The Court's recent special report (No 28/2018) on simplification under Horizon 2020 mentions the creation of the CIC as a major step forward in harmonised implementation of the Framework Programme.

7. How does them Commission perform its advisory function? How does the Commission advise the Member States and how does the Commission ensure that the Member States advise the applicants?

Commission's answer:

The Commission established a system of National Contact Points (NCPs). National Contact Points are support structures that have become an essential component in the implementation of successive Research and Innovation Framework Programmes. They provide information and on-the ground advice to potential applicants and beneficiaries, through the project life cycle, in their own language, in a manner that would be impossible for the Commission and its Agencies acting alone. They ensure that the Framework Programme becomes known and readily accessible to all potential applicants, irrespective of sector or discipline.

8. How does the Commission advance the process of equal participation and support for countries that not yet have any excellence universities?

Commission's answer:

In Horizon 2020, EUR 900 million are devoted to 'widening measures' like Teaming, Twinning, European Research Area Chairs and European Cooperation in Science and Technology (COST) in order to help the widening countries increase their excellence in Research & Innovation (R&I).

For Horizon Europe, the co-legislators have agreed in their common understanding to increase the share for this area of intervention to 3.3% of the budget as compared to about 1% in Horizon 2020. This will enable a stronger impact of planned measures and better contribute to fostering excellence across the EU.

Depending on the final agreement on Horizon Europe and on its budget, such increased budget for widening measures will not only allow for continuity of the fine-tuned core actions. It will also be coupled with additional measures that aim at fostering brain circulation of researchers, improving the quality of proposals from legal entities from low R&I performing countries, boosting activities of National Contact Points, establishing match-making services and promoting initiatives on excellence.

Regarding excellence in the Higher Education system the Commission will set up a political process with Higher Education Institutions to prepare a Vision on the Future of European Universities. This will include the way universities network and share resources, as well as design and deploy strategies to implement their education, research and innovation functions. We recall that 3.3% of the Horizon Europe budget (part IV) will be mobilised to support widening activities, though not to the detriment of excellence. A potential European Excellence Initiative, as a new feature, could be co-ordinated with the Erasmus European Universities Initiative, which supports excellent and inclusive partnerships of universities with a broad geographical balance, in order to promote cooperation and underpin excellent European universities in their transformation efforts towards this Vision on the future.

9. How can procedures be simplified? In particular, how to make the processes for preparing calls less complex and less cost and time intensive for applicants?

Commission's answer:

Horizon 2020 has brought major simplification compared to its predecessor. In particular, the introduction of a simple funding model with one single reimbursement rate within a project and a simple flat rate for covering indirect costs makes participation easier in particular for newcomers and SMEs. The use of a two-stage submission process (where appropriate) with a short first-stage proposal reduces the effort for applicants. Moreover, the description of calls and topics in the work programmes was improved, with clear indication on the scope of the topics and the expected impact of projects. The Funding & Tenders Portal, as a one-stop shop for all interactions on application and grant management, provides easy access to the funding opportunities.

Administrative simplification is a key horizontal priority at the centre of the Commission's work in the design of the new Erasmus programme. The legislative proposal affirms: "simplified grants in the form of lump-sums, unit costs and flat-rate funding should be used to the maximum possible extent".

Concretely, under Key Action 1 (Mobility for individuals), the Commission plans to introduce an accreditation system which will significantly simplify the processes of application and award of grants to recurrent applicants, which represent an important share of beneficiaries of mobility grants financed under the programme. Under Key Action 2 (cooperation projects), the Commission is exploring the possibility to introduce a funding model based on a single lump sum. This approach intends to offer more flexibility and to shift applicants' efforts from administrative compliance towards quality and performance. In addition, the Commission will launch a new action (small-scale partnerships) aimed at attracting newcomers and organisations with lower administrative capacities; lower administrative requirements will apply under this action.

FP7 grants

10. Under the FP7, 323 grants were closed in 2018. 261 grant agreements with a RAL of EUR 157.3 million were still running. When will FP7 be closed and the RAL dissipated? Which programmes of FP7 are still running?

Commission's answer:

No FP7 contracts have been signed since 2014. As set out in the 2018 annual Activity Report, 4,740 out of 4,934 FP7 project had already been closed by DG Research and Innovation by the end of 2018. The remaining projects will be closed over the next few years, but a precise deadline for the full clearance of the RAL cannot be given as it depends on factors like the speed and quality of reporting and possible audits and controls.

Ineligible personnel costs are a large source of error

11. How does the Commission explain this finding?

Commission's answer:

Personnel costs count for about two thirds of all direct costs. A respective share of the personnel costs in the error rate is therefore not an unexpected finding.

Both the Court and the Commission agree that personnel costs are a complex area in the system of reimbursement of eligible costs. Different legal systems at country level and even “local” systems at beneficiary level (going down to the level of the composition of the pay slip) usually make it difficult to demonstrate compliance with the eligibility rules of the Framework Programme. Personnel costs have a certain vulnerability for error because of the remaining complexity in Horizon 2020 cost accounting rules (several methods for calculating hourly rates, need to have time sheets) but also because of the complex reality of personnel cost accounting in general.

For Horizon Europe, the Commission is working on a further major simplification of the personnel cost rules, with a single method for calculating hourly rates and the abolition of the obligation to have time sheets. This work is based on experience gained so far and lessons learnt from Horizon 2020, as well as on the ECA's findings included in its 28/2018 special report on simplification which have helped the Commission prepare the design of the next framework programme. It is also based on the outcome of the public consultation on the implementation framework for Horizon Europe, which was launched to see how the Commission can further simplify, including on the issue of personnel costs, and accommodate novelties of Horizon Europe while maintaining continuity between Horizon 2020 and Horizon Europe. In parallel, a series of national and regional events has been organised since July in collaboration with National Contact Points in order to engage into an open discussion and to collect feedback. As regards the new multi-annual financial framework, the Common Implementation Centre is working with DG BUDG, the Legal Service and other central management services to align project management methods. In this respect, a model grant agreement is currently being developed at corporate level which is a key step in deploying simplification options and in achieving coherence across the Commission.

12. With a funding model based on the reimbursement of eligible costs, the rules for declaring personnel costs are complex, and the calculation of these costs remains a major source of error in the cost claims. While Horizon 2020 generally has simpler funding rules than FP7, in some aspects the methodology for calculating personnel costs has increased in complexity, thereby increasing the risk of error. How is that possible?

Commission's answer:

Based on feedback from stakeholders, the Commission has re-introduced an additional option for determining hourly rates for personnel costs. The standard rule at the start of H2020 was that the beneficiaries' accounting data of the last closed financial year had to be used. Based on request by many stakeholders, an additional option for reporting periods covering parts of non-closed financial years was introduced (monthly rates) that lead to a certain increase of overall complexity.

More specifically, the eligibility of the personnel costs has always been an item of special concern for the legislator during H2020 legislative process due to the significant differences or discrepancies of researchers' salaries between Member States (MS).

Thus, the H2020 Rules for Participation (i.e. RfP) and dissemination set out detailed rules on the calculation of personnel costs as follows:

- Article 27(2) H2020 RfP sets out specific eligibility conditions for the personnel costs, including 'additional remuneration': additional remuneration may be reimbursed to non-profit legal entities up to EUR 8 000 per year and per person.
- Article 31 H2020 RfP sets out in details the methodology for the calculation of personnel costs (i.e. fixed annual productive hours, standard productive hours, hourly rate calculation, and obligation to have a time-recording system).

During the H2020 implementation, the rules were further developed on the basis of the feedback and requests received from beneficiaries, stakeholders and National Contact Points. The main objective was twofold:

- to address specific needs identified by beneficiaries as concerns the 'actual' personnel costs registered in the accounts (i.e. monthly hourly rate calculation) and,
- to address some undesired side effects that the H2020 initial provisions on additional remuneration had on certain beneficiaries (specific provisions for beneficiaries with low usual remuneration that usually received additional remuneration when participating in externally-funded projects were introduced. In that respect, H2020 adjusted the basic remuneration concept to align it with national remuneration practices').

Currently, H2020 offers a wide range of options for calculating actual personnel costs, notably:

- monthly or annual hourly rate calculations;
- three options for determining the productive hours taken into account in the hourly rate calculation;
- system of timesheets or system of declarations for exclusive work on the action.

- In addition, there are some possibilities to switch from one option to another, if the beneficiaries wish so.

In the light of the above, and building on H2020 experience, the Commission proposed to further simplify the rules on personnel costs in its proposal for Horizon Europe.

13. Does the Commission see room for simplification of the rules?

<u>Commission's answer:</u>

Experience gained so far and lessons learnt from Horizon 2020, as well as the Court's findings included in its 28/2018 special report on simplification have helped the Commission prepare the design of the next framework programme, namely Horizon Europe. A public consultation on the implementation framework for Horizon Europe was launched to see how the Commission can further simplify, including on the issue of personnel costs, and accommodate novelties of Horizon Europe while maintaining continuity between Horizon 2020 and Horizon Europe. In parallel, a series of national and regional events has been organised since July in collaboration with National Contact Points in order to engage into an open discussion and to collect feedback. As regards the new multi-annual financial framework, the Common Implementation Centre (CIC) is working with DG BUDG, the Legal Service and other central management services to align project management methods. In this respect, a model grant agreement is currently being developed at corporate level, which is a key step in deploying simplification options and in achieving coherence across the Commission.

On this basis, the Commission is convinced that simplification is key to reaching the objective of the Framework Programmes and that to attract the best researchers and the most innovative entrepreneurs, the administrative burden for beneficiaries must be kept to a minimum. This is why, the Commission proposed to simplify further the applicable rules under Horizon Europe. Among the main simplification features included in the Commission proposal for HE (and further developed by the legislators during the legislative process) are:

- Continuity in the simplification measures applied to Horizon 2020 which were appreciated by participants, such as the simple funding model and the Participant Portal;
- Further simplification of the current real cost reimbursement system, in particular as regards personnel costs. In addition, the distinction between basic and additional remuneration introduced under Horizon 2020 will be remove and the H2020 cap on the additional remuneration abolished. Against that background, the Commission will take full benefit of the deployment of a Corporate Model Grant Agreement that will serve all Union spending programmes and that foresees one single and simpler calculation method for actual personnel costs.
- Broader acceptance of beneficiaries' usual accounting practice, in particular for internal invoicing and services which would also cover the equivalent to Horizon 2020 large research infrastructures;
- Increased use of simplified cost options, as provided for by the Financial Regulation, in particular of lump-sum project funding in appropriate areas and taking account of the lessons from the pilot under Horizon 2020;

- An increased cross-reliance on audits to reduce the audit burden for beneficiaries taking part in several Union funding programmes;
- Extending the Participants' Guarantee Fund (renamed Mutual Insurance Mechanism) to beneficiaries of any directly managed Union programme, and for actions not covered by the fund under Horizon 2020 (Article 185 Initiatives);

Overall, this should lead to more clarity for beneficiaries and ultimately to a reduction of the error rate.

14. Are the errors regarding ineligible personnel costs very similar? Did the Commission consider that this could indicate a systemic error that may call for a change in the eligibility guidelines?

Commission's answer:

The most frequent sources of error, as detected in the ex-post audits of Horizon 2020 projects concluded so far, are:

- incorrect calculation of productive hours
- ineligible remuneration costs for the calculation of the hourly rates for both actual costs and for average personnel costs
- incorrect time claimed

Based on these findings, the Commission is working on a change of the approach on personnel costs in Horizon Europe that would considerably reduce the risk of the above errors (this would entail the abolition of the obligation to have time sheets and the provision of only one simple option for calculating productive hours and hourly rates and simplification of reliance on usual accounting practices of beneficiaries).

SMEs and new entrants are particularly error prone

15. How does the Commission explain this pattern?

Commission's answer:

One of the Commission's main objectives is to involve Small and Medium size Enterprises and new entrants into the framework Programme for research and innovation. However, these types of beneficiaries are more prone to erroneous claims due to their lower administrative capacity and lack of familiarity with the rules compared to larger organisations.

Therefore, the Commission should focus on them by communicating more effectively the applicable rules and carrying out targeted checks of cost claims. The Commission is already working on it even though the numbers are enormous and may have an impact on the cost-effectiveness of additional controls. By the end of 2018, there were more than 23,000 SMEs and 15,500 new participants in Horizon 2020. The Commission have introduced simplifications tailored to SMEs like, for example, lump sum funding in the SME stage one scheme. During 2018, the Commission organised an extensive communication campaign targeting beneficiaries – including SMEs and newcomers - and independent certifying auditors in order to ensure a better understanding of the rules. Of course, such outreach events targeting specifically these two types of beneficiaries will continue and even be intensified.

16. Does the Commission measure if there are common errors made by many SMEs and/or first-time applicants?

Commission's answer:

The results of the audit campaign related to SMEs and new applicants show the following main type of errors:

- Incorrect remuneration costs;
- Incorrect productive hours calculations
- Double charging
- No valid supporting documents
- Incorrect time claimed

17. Does the Commission have mechanisms in place to help SMEs and first-time applicants with their applications?

Commission's answer:

The main network for on-the-spot support to applicants (including SMEs and newcomers) is the network of National Contact Points (NCPs). While the NCPs are established and financed by the Member States, governments, the Commission provides regular training and information and it funds coordination and support actions for networking between NCPs and exchanging best practice (e.g. the NCP meetings held from time to time throughout the year in Brussels).

Via the Funding & Tenders Portal, applicants have easy access to all funding opportunities as well as to guidance and helpdesk services.

18. Does the Commission have plans to reduce the complexity of rules for SMEs and first-time applicants?

Commission's answer:

In its proposal for the Rules for Participation of Horizon Europe, the Commission has suggested further simplification. This concerns e.g. the personnel cost rules. This will be further elaborated in the new model grant agreement that is currently under discussion with the Member States expert group.

The European Innovation Council (EIC) projects will in particular be focussed on SMEs, with special rules and dedicated support services.

Moreover, the extended use of lump sum project funding (that is currently tested in a series of pilot calls under Horizon 2020) would remove all complications related to personnel costs (and any other cost accounting issues).

For helping SMEs and first-time applicants to become familiar with the rules, the Commission reinforces its outreach campaigns in the Member States. The Commission also works with the National Contact Points on a further improvement of their services.

19. New entrants and SMEs represent a particular risk of errors, a pattern both confirmed by the Court and the Commission. How does the Commission address this issue, keeping in mind that the aim would be not to deter them from applying for EU funding, but to encourage them to do so? Does the Commission plan to enhance its information campaign on the funding rules for these beneficiaries?

Commission's answer:

The Commission, together with the Legal & Financial National Contact Points, organises regular outreach events in the Member States, informing applicants and beneficiaries on the most frequent errors and the possibilities to avoid them. During 2018, the Commission has organised an extensive communication campaign targeting beneficiaries – including SMEs and newcomers - and independent certifying auditors in order to ensure a better understanding of the rules. The Commission also sent a communication note on this to all Horizon 2020 beneficiaries, Moreover, the Commission holds coordinators' days, which are also web-streamed to a large audience, for explaining the details of grant management. Since the start of Horizon 2020, about 50,000 (on-site and remote) participants were reached by this.

In addition, the Commission has introduced simplifications tailored to SMEs like, for example, lump sum funding in the SME stage one scheme. It is expected that the European Innovation Council foreseen to be established in the next Framework Programme will reinforce and expand these efforts.

Ex-ante verifications of large research infrastructure (LRI) costs. ECA criticised that the Commission's ex-ante verification procedures can take up to two years and may involve several visits to the beneficiary.

20. Can the Commission please describe the procedure for these ex-ante verifications?

Commission's answer:

The procedure is explained in the Annotated Grant Agreement, under Article 6.2.D.4: "The ex-ante assessment is composed of two steps: Status validation and methodology compliance.

Step 1 — Status validation (i.e. if the beneficiary qualifies with definition and conditions for declaring costs under Article 6.2.D.4).

The beneficiary must self-declare whether it complies with the conditions set out above (in particular the EUR 20 million and the 75% thresholds), by filling the appropriate field in the Participant Register. The beneficiary must then provide the relevant supporting documents to the Commission within one month.

The Commission will confirm or — after a contradictory procedure — refuse the status and inform the beneficiary accordingly.

Step 2 — Methodology compliance (i.e. if the beneficiary's methodology complies with the conditions set out below).

Following an in-depth (in principle on-the-spot) assessment, the Commission will issue a draft report and submit it to a contradictory procedure with the beneficiary. During this phase, the beneficiary has the possibility to amend its methodology by removing any non-compliant component of it. Thereafter, a final (negative or positive) ex-ante assessment report will be issued."

21. Why does this procedure take so long?

Commission's answer:

The completion of a Large Research Infrastructure (LRI) assessment is a complex process which has proven to be also time-consuming. It foresees two steps each of which needs to be finalised before proceeding further. In addition, the completion of the procedure includes an on-the-spot visit which encompasses detailed testing at the level of beneficiary.

Given the complexity of the approach as well as specific challenges from beneficiaries in providing the requested information and documentation on time, delayed further the completion of the assessment.

The Commission recognising the challenges in performing LRI assessments, will introduce innovative ways of auditing in the next Framework Programme which include system and process audits and increase to the extent possible cross reliance on audits and assessments.

22. Can its benefit be quantified?

Commission's answer:

The Commission recognises that it is difficult to directly quantify the benefits of the Large Research Infrastructure (LRI) scheme. Besides quantifiable benefits the LRI scheme is an exercise aiming at assessing internal procedures of beneficiaries and identifying possible weaknesses or areas of improvement. As such it has preventive nature towards errors of financial reporting and helps beneficiaries improving their financial reporting. Therefore, its benefits can be seen only in the long run, providing legal certainty to beneficiaries that have been positively assessed through an LRI.

23. How do these benefits compare with the costs?

Commission's answer:

See reply to Question 22.

24. Can the Commission comment in the proportionality of the cost-benefit relation?

Commission's answer:

The quantification of benefits and costs of this scheme is difficult to be performed per se as previously explained in the questions about LRI. For this reason, the cost-benefits analysis should be undertaken towards the end of the Framework Programme to give a fair view. In addition, following an update of the H2020 Model Grant Agreement, beneficiaries are now allowed to claim retroactively similar types of costs as for LRI as internal invoices in H2020 actions.

Erasmus+ divergence of national rules

ECA found that in Slovenia only €44 per day of daily allowance was paid out to staff accompanying students instead of the € 90-144 paid to the institution (simplified cost option). In Slovakia, ECA found financial transfers between the school and the regional body that were unnecessary for project implementation and may entail financial and implementation risks.

25. Why did the Commission not identify these divergences of national and EU rules?

Commission's answer:

The observations of the European Court of Auditors provide useful information on the landscape of per-diems' provisions in certain Member States.

However, in the Erasmus programme, for projects such as the one in Slovenia, the legal beneficiary and recipient of a grant contribution is the organisation in charge of the implementation of a project, not the individual participants (such as staff or students). Beneficiary organisations can pay reimbursements, provide services or give contributions in kind to participants. The funding rules of the Erasmus+ Programme determine how much an organisation should receive by multiplying a given amount by the number of participants involved in the mobility project. Once the amount is quantified, beneficiary organisations have ample flexibility on how these funds will be used in favour of the participants: organisations can pay per-diems, but they can also provide goods and services and cover other costs related to the project. However, they are not required to pay the entire contribution to the participant. As a result, in this case the contribution used in favour of the individual participant by the project beneficiary stays within the levels defined by the EU rules. Therefore, the difference noted by the ECA does not constitute a divergence between national and EU rules.

Regarding the case of Slovakia, the Erasmus+ Programme has in place a computerised accounting system ensuring that all financial transfers are constantly tracked and minimising the risks for the EU budget. The Court has noted potential improvements in terms of efficiency of these financial circuits, but it should be noted that they do not constitute a real divergence between national and EU rules; the Commission respects the autonomy of programme countries to follow their own administrative rules where there is no irregularity.

26. Did the Commission undertake any measures to resolve these issues?

Commission's answer:

The compatibility of national rules with the programme requirements is verified with the ex-ante assessment of National Agencies and the periodical reviews of the system to ensure the adequacy of the amounts of unit costs.

Administrative simplification will continue to be one of the horizontal priorities for the future Erasmus programme. In this sense, as agreed by the European Parliament, the Commission intends to increase the use of simplified grants such as lump sums, unit costs and flat rate funding in order to simplify requirements for beneficiaries and administrative tasks for implementing agencies. The vast majority of applicants and beneficiaries perceive the simplified grants as an important administrative simplification measure.

27. The institution received more money than it paid out - Does the Commission know what the money was spent on? How big was the total amount of this gap between the total sum that was paid to the institution and the total sum that the institution paid out?

Commission's answer:

The institution used the full amount in favour of the participant. As explained under point 25, according to the programme rules, the institution is not required to pay out the entire amount to the individual participant, as the contribution can also be used to cover other costs related to the mobility activity.

The National Agency confirmed that, apart from receiving the per diem, the participant was also entitled to the reimbursement of accommodation and local transportation costs. Summing up all expenditures related to the individual participant, the entire amount has been used in the favour of the participant. Therefore, there was no gap identified.

In general terms, if all those items covered by the unit cost are combined, it becomes clear not only that the organisation used the entire amount for project-related costs, but also that the co-funding principle was respected (i.e. the EU contribution covered less than 100 % of the costs related with the activity). However, it should be stressed that under a system of unit costs, such considerations should be excluded from the scope of verifications; otherwise, all the benefits of simplification would be lost.

28. Did the Commission investigate or intends to investigate whether similar problems exist in other Member States?

Commission's answer:

The Commission has sufficient elements to rely on the robustness of the methodology followed by the study that determined the amounts of unit cost contributions. The level of assurance is further enhanced by the periodical updates of the system. The Commission carries out a periodical review of the simplified grant system applied under the Erasmus+ programme, in line with provisions of the Financial Regulation. The last review was carried out in 2017. The system of simplified grants applied under Erasmus+ is also being assessed in view of setting up the funding rules of the programme in the next MFF period.

IAS reported on Erasmus +. In phase II (from project monitoring to payment), IAS made four observations and recommendations. One of them, regarding the functioning of the internal control system, was classified as "critical".

29. Could the Commission explain this internal control system, and describe the identified weaknesses?

<u>Commission's answer</u>:

The internal control system (ICS) of EACEA, which is managing Erasmus+ and Creative Europe under the direct management mode, is aligned to the EC internal control framework and is based on five internal control components (control environment, risk assessment, control activities, information & communication and monitoring) and 17 principles. In the Phase II audit, the IAS did not detect any significant issue in terms of project management and payment processing in the sample of projects tested during the audit. However, the IAS identified some structural weaknesses, notably the need to improve: a) the factual evidence supporting the declaration of assurance of the Authorising Officer, b) the monitoring system for deviations and non-compliance events, c) the overall project monitoring strategy and d) the existing documentation on operational procedures.

It should be noted that the internal control system of EACEA is under the control of its Director, who is in turn supervised by the Steering Committee, made up of the parent Directorates General of the Commission. The IAS audit related only to management by EACEA, and the corresponding action plan was defined and is being implemented by its Director.

30. What did this observation/recommendation of IAS entail?

<u>Commission's answer</u>:

The IAS observations and recommendations entailed the need for a revision of the internal processes, organisation and governance. Indeed, with the arrival of the new Director in February 2019, EACEA started a Transformation Process to revise its current functioning and design the Agency of the future, notably in view of the new MFF. In the meantime, the Agency raised awareness on internal control through training, redesigned its strategy for monitoring projects and reinforced its internal assurance process.

31. Why was it changed from "critical" to "very important"?

<u>Commission's answer</u>:

The critical recommendation concerned the 'assurance on the functioning of the internal control system'. The IAS recommended the Education, Audiovisual and Culture Executive Agency:

(1) to ensure that the Authorising Officers by Sub Delegation (AOSDs) provide coherent information on the state and effectiveness of the internal controls in the units under their responsibility and the related results.

(2) to better manage the exception and non-compliance events by a) providing support and advice to the operational units in the identification phase of exceptions and non-compliance events, b) ensuring that these cases are adequately assessed and justified and exhaustive information is provided to the Director when taking decisions (including on the mitigating actions proposed), c) monitoring the effective implementation of the mitigating actions to avoid the recurrence of exceptions and non-compliance events and periodically report on it to the Authorising Officer by Delegation. Finally, the central register for exceptions and non-compliance event should be maintained and monitored regularly and the Director should receive a bi-annual report summarising, via a management tool or dashboard, all exceptions and non-compliance events, the control deficiencies identified, their severity and the affected internal control principles, the mitigating actions taken and their state of implementation.

Given that the Agency started implementing mitigating actions directly after the end of the fieldwork (and prior to the issuance of the final report), the Internal Audit Service was able to perform a first follow-up of the critical recommendation in March 2019. The IAS concluded that:

(1) Information from the AOSDs

The Agency had revised the template for the reporting of AOSDs to the AOD, which had been used in the framework of the preparation of the 2018 AAR in the first quarter of 2019. Although some further improvement was still necessary (reason why this sub-recommendation was not considered fully implemented), this represented a positive development compared to the situation observed at the time of the fieldwork.

(2) Exception and non-compliance events

The Agency had revised the procedure for handling exceptions and non-compliance events and established the obligation to consult the official in charge of Risk Management and Internal Control, the Director’s team member and the Legal team's Head of Sector to ensure the reliability and robustness of the analysis of the cases. It had also developed a register which is available on the Intranet of the Agency and is regularly filled in every time a non compliance event or an exception occur. The agency had organised a training session with experts from Directorate-General Budget on the correct handling of exceptions and non-compliance events and performed an ex post assessment of the exception request and notification of non-compliance events occurred in the year 2018.

The IAS considered that the Agency had improved the design of the process and had started implementing it effectively.

Taking into account the progress already made, the IAS considered that the Agency had partially mitigated the underlying risks and therefore downgraded the rating of the recommendation from 'critical' to 'very important.

32. Could the Commission give an update on the ongoing implementation of all recommendations of the IAS?

<u>Commission's answer</u>:

The IAS audit action plan of Phase I is closed and the implementation of the action plan for Phase II is on track. Notably, EACEA has established a new risk based single monitoring strategy for its projects and has delivered training sessions on risk management and internal control principles to its management and staff. With the ongoing last checks on the existing documentation on its operational procedures, all actions will be “ready for review” in November 2019.

Additional efforts have also been put in tightening the coordination with Operational Units on ex post audit. The audit plan 2019 has been approved by the Agency’s management and is revised annually.

33. What measures does that Commission implement or intend to implement to improve the functioning of its internal control system?

<u>Commission's answer</u>:

The IAS audit related only to management by EACEA, and the corresponding action plan was defined and is being implemented by the Agency Director. In this regard, the internal control system of EACEA is under the direct control of its Director. This is in turn supervised by the Steering Committee, composed of the parent Directorates General of the Commission.

Besides the very close follow-up by EACEA senior management and the Commission’s Steering Committee on implementing the audit action plan (see above question 32), the EACEA Transformation project is setting up the principles of the new culture, business processes and organisation for the Agency.

The first results, including a new organisation chart, were discussed with the Agency management and staff and were presented to the Steering Committee on 10 July 2019. Within the ongoing second phase, staff had the possibility to provide further feedback and express their wishes or concerns regarding their individual situation with the HR function of the Agency.

Moreover, in the area of grant management, the Agency is pushing forward the migration of its “local” IT system into the eGrants corporate tool in 2020. This overhaul will be a further major step into the automatisation and standardisation of its grant management processes and procedures.

Procedure for correcting systemic errors

34. Could the Commission explain its procedure to ensure that systemic errors by beneficiaries detected in an audit are corrected in ongoing projects?

> **Commission's answer:**
>
> The Commission extends systemic errors identified throughout the audit campaign to non-audited periods and projects of the same beneficiary.
>
> Where a potentially systemic/recurrent error is identified through an audit, the Commission informs the beneficiary and requests the correction of the error on potentially affected financial statements.
>
> Alternatively, the Commission may apply the overall flat rate proposed by the auditor to all the potentially affected financial statements.

35. What is the rate of detection of such systemic errors in other projects?

> **Commission's answer:**
>
> During the audit campaign of 2018, 7.21% of the completed audits included extension of audit results in non-audited period. As far as the 2019 audit campaign is concerned, as of October 2019, 18.06% of the completed audits included extension of audit results.

36. What is the rate of correction?

> **Commission's answer:**
>
> As stated in the Annual Activity Report of DG R&I, "As regards the FP7 programme, 3,932 extrapolations were implemented for 6,821 DG R&I participations with possible systemic errors. The implementation rate for extrapolation by the end of December 2018 was 57.6% for FP7."

37. By the end of 2018, the implementation rate for correcting systemic errors was only 57,6 %. Why is the rate so low? And how can it be improved?

> **Commission's answer:**
>
> The process of extrapolation requires looking at all projects of the beneficiary where the auditors have detected an error considered as "systemic". Therefore, an extensive scrutiny has to be performed on the projects concerned – these may be closed or still open - to clarify the individual impact in each project of the systemic errors.
>
> Additionally, there is a process of consultation for contradiction with the beneficiary in order to set the final impact, which ultimately will be recovered. The commission is working on this aspect for improving the completion of the pending dossiers.
>
> The rate by end of 2018 reflects the state of implementation: corrections i.e. adjustment in the cost claimed appear always together with the next due financial reporting. That causes a natural lag in the implementation cycle. In other words, both the beneficiaries concerned and the Commission services acknowledge the systemic errors, then the

beneficiaries start to apply corrective measures in their project accounting. However, these corrections will only appear once the next due periodic report's financial claims are submitted and processed by the Commission.

In the course of 2019, DG R&I's Common Implementation Centre (CIC) dedicated efforts to improve the situation in two ways: a dedicated communication campaign to beneficiaries aimed at raising awareness about the most frequent fiscal errors and how to avoid them; and new, automated common processes and IT enhancements to help the H2020 implementing services to process effectively the ex-post audit findings and monitor their implementation in real time.

38. How can systemic errors be avoided? What systems for giving advice does the Commission have in place to prevent applicants from making similar mistakes?

Commission's answer:

Outreach events focusing on informing beneficiaries on the main recurrent errors identified through the audit campaign is regularly organised in the Member-States. In 2018 around 15 events took place in which representatives of the Common Implementation Centre analysed the nature of frequent errors and provided tips on how to avoid them. These events are very well received by participants and contribute to the error-free implementation of the programme.

The Commission draws lessons learnt form the implementation of Horizon 2020 and further simplifies the implementation modality for the new framework programme.

Other questions

ECA notes that while Horizon 2020 generally has simpler funding rules than FP7, in some aspects the methodology for calculating personnel costs has increased in complexity, thereby increasing the risk of error.

39. Does the Commission agree with the Court's assessment? If yes, what are these aspects?

Commission's answer:

Both the Court and the Commission agree that personnel costs are a complex area in the system of reimbursement of eligible costs. Different legal systems at country level and even "local" systems at beneficiary level (going down to the level of the composition of the pay slip) usually make it difficult to demonstrate compliance with the eligibility rules of the Framework Programme.

40. Why did the Commission's new methodology increase complexity?

Commission's answer:

See reply to Question 12.

41. Did this increased complexity lead to an increase risk of errors due to ineligible costs? Was this measured?

> **Commission's answer:**
>
> See reply to Question 12.

42. In its Special report 28/2018, ECA concludes that the majority of simplification measures brought into Horizon 2020 have made life easier for beneficiaries, but opportunities to improve still exist. Which additional measures did DG R&I introduce or intend to introduce?

> **Commission's answer:**
>
> See reply to Question 50.

43. One element introduced in Horizon 2020 that frequently leads to errors is the rule requiring the use of the annual hourly rate from the most recent closed financial year for declaring costs relating to the subsequent (non-closed) year of reporting. This rule is difficult to apply and does not always reflect the beneficiary’s actual costs as it does not take into account any salary increases from one year to the next. Has the Commission taken any steps in order to change this rule?

> **Commission's answer:**
>
> Following the challenges in the calculation of hourly rates based on the last closed financial year encountered by some beneficiaries, the Commission increased its flexibility by allowing the beneficiaries to calculate monthly rates. At the same time, aiming at reducing the number of these errors in the future, the Commission has organised a number of communication actions (workshops in Member States) on the calculation of personnel costs.
>
> Moreover, the Commission will reassess this rule for the next Framework Programme and intends to take full benefit of the future corporate MGA, which foresees one single calculation method for actual personnel costs. This should lead to more clarity and ultimately to a reduction of the error rate.

Delays in distribution of the funds by the project coordinators is an important source of non-compliance with the rules.

44. What is the total amount of delays in distributed funds?

> **Commission's answer:**
>
> The Commission/Agency pays the EU contribution to the coordinator. The distribution of the funds among the participants is an internal responsibility within the consortium, and the modalities are part of the consortium agreement (of which the Commission/Agency is not a party). The Commission does not systematically collect information on the distribution of the funds. The compliance with the deadline for distribution is checked during ex-post audits. From the Horizon 2020 audits concluded so far, that there only very exceptional cases of non-compliance on this aspect have been observed. Moreover,

individual beneficiaries have the possibility to alert the Commission/Agency project officer via a formal notification through the Funding & Tenders Portal in case of such difficulties with their coordinator.

45. How many of such cases did the Commission identify?

Commission's answer:

See reply to Question 44.

46. How do the Commission services follow up cases of non-distribution of payments?

Commission's answer:

When a beneficiary informs the Commission/Agency project officer via a formal notification through the Funding & Tenders Portal about such a problem with the coordinator, the project officer contacts the coordinator in order to rectify the situation. In case of continuing non-compliance, the Commission/Agency can apply the measures provided in the grant agreement (replacement of the coordinator, sanctions).

47. The findings of the ECA follow-up review of the four recommendations made in the 2015 annual report, and the four made in the 2017 annual report for which the deadline for implementation was the end of 2018 show that the Commission had fully implemented four recommendations, and implemented four in most respects. What does it mean “in most respects”, what still remains to be done?

Commission's answer:

The assessment ‘in most respects’ is done by the Court of Auditors, not by the Commission.

The Court provides this assessment based on the actions undertaken by the Commission. In this context, the Court considers “in most respects” when these actions already undertaken address the weaknesses identified but are not fully effective.

The Commission addresses the recommendations of the Court according to their own resources within the year of the recommendation. Actions are therefore undertaken in order to correct the weaknesses detected. However, the Court does not consider fully implemented when the error is reported again in the following year.

It does not mean that there is not any action, but that the actions implemented do not correct totally the weaknesses identified.

Regarding the recommendation in the Annual Report 2017 that related to INEA’s guidelines on subcontracting, please note that the Commission confirms that it implemented the recommended action. Its understanding of the status “implemented in most respects” is that, whereas the action was taken (the guidance had been published), the impact of this action (the effects of the guidance on the behaviour of the beneficiaries) was not yet measurable at the time of the audits. (This is normal, as the audits reviewed costs occurred before the clarification brought by the guidance). The Commission considers the recommendation as closed but notes that on the longer term the effective buy-in of the guidance still needs to be monitored and, if need be, accompanied by adequate awareness raising measures.

48. According to Annual Activity Report: Eurostat released the latest data on R&D expenditure in November 2018 and it confirmed that the EU R&D expenditure (as % of GDP) was 2.07% in 2017 (latest data). The EU is a long way from the overall 3% of Gross Domestic Product Research and Development investment target, and it is clear that this target will not be achieved by 2020. This is disappointing and damages the international competitiveness of the European Union. However, DG R&I is continuing to work on several fronts to close the gap to the target or to mitigate the effects of the gap. What are the obstacles in achieving the overall 3%?

Commission's answer:

The figure quoted in the question is correct, when referring to the Eurostat November 2018 data.

According to the data published by Eurostat in November 2018 (news release of 10 January 2019), the R&D intensity (total R&D expenditure as a percentage of GDP) was 2.07 % in the EU in the reference year 2017, compared to 2.04 % in the year 2016. Recently the figure has been slightly revised to 2.06 % (from 2.07%) for 2017.

It ranged between 3.4% (Sweden) and 3.16 (Austria) on the upper side, and 0.50% (Romania) and 0.51% (Latvia) on the lower side. The 2020 objective for the whole EU is 3%, with different targets set for different countries.

There are mostly three types of obstacles to achieving the 3% R&D and innovation target:

1. Lack of public and private investment in R&D. Research and innovation account for up to two-thirds of economic growth in Europe, are vital to create the knowledge that leads to technological progress and productivity growth, and associate with higher levels of prosperity. Stimulating investment in research and innovation has multiple dividends for the society since it is also crucial to address societal challenges, such as e.g. climate change or ageing. In spite of this, Europe falls short in terms of R&D intensity compared to main competitors, mainly due to sluggish business expenditures on R&D. This is accompanied by a large dispersion across Europe in terms of R&D investments.

2. The limited quality and efficiency of national research and innovation systems curb the impact of R&D investments on the ground. At the national level, it is crucial to put in place reforms that reinforce the capacity of the national science base and actors, induce a better connection of public science with businesses, and ensure framework conditions that are conducive to innovation. Research and innovation increasingly happen within global networks, in which interactions create value. Lack of knowledge flows, for example, including limited brain circulation across disciplines, sectors and countries, lack of scientific open access and free flow of scientific and other data hamper knowledge circulation and, again, limit the impact of R&I investments on the ground.

3. Market failures linked to business investment decisions in R&I. High risks, sunk costs, market uncertainty, lack of appropriability of results, or unavailability of funding all

induce underinvestment in R&I below what is socially desirable. The new wave of innovation (with increasing digitisation and AI) is radically decreasing the ability of innovation to be diffused across firms, sectors and countries, and –without adequate policy responses- this risks reducing the impacts of R&I investments.

49. Concerning the results for the whole Research and Innovation Family, and the whole period 2014-2018, 96.4% of grants were signed within the deadline (98% in 2018). What prevented other grants from being signed within the deadline? What was the delay in those cases?

Commission's answer:

In addition to grants under the European Research Council, which are generally subject to a time-to-grant (TTG) longer than 8 months, the Horizon 2020 Regulation (Article 20) provides for longer periods, in duly justified cases. Experience in the course of Horizon 2020 shows that delays are sometimes needed, for example, for complex projects, when the applicants request more time, when a full ethical review is needed because sensitive issues are raised by the proposed research, and when the evaluation review process leads to a re-evaluation.

50. Could you give us an update on the implementation of the Court's recommendations in its Special Report 28/2018 on Horizon 2020, especially concerning tackling the difficulties some changes have created for beneficiaries.

Commission's answer:

The Court made 8 recommendations:

Recommendation 1 – better communication with applicants and beneficiaries

The Commission has reinforced its outreach campaign in Member States. It organises regular coordinator's days that are also web-streamed. In preparation for Horizon Europe, it discusses with the Member States the possibilities for further improving the services of the National Contact Points.

The user-friendliness of the Funding& Tenders Portal, as the one-stop shop for electronic grant management, will be further improved.

Recommendation 2 – intensify testing of lump sums

In 2018/19, the Commission had launched 4 pilot topics for lump sum project funding. The respective grants were signed and projects are underway. For the work programme 2020, 10 new pilot topics are identified, covering different subject areas and types of action. The Commission monitors the implementation of these pilots very closely, in order to draw conclusions on the effectiveness of lump sum project funding under Horizon Europe.

Recommendation 3 – explore greater use of two-stage proposal evaluations

Two-stage proposal submission and evaluation is used whenever appropriate (calls with large expected oversubscription; topics that are not absolutely time-critical). In preparation for Horizon Europe, the Commission launched a broad stakeholder consultation (online survey and events in all Member States) on implementation issues, including proposal submission and evaluation, to get stakeholders views and ideas on improving the processes and methods for submission and evaluation.

Recommendation 4 – re-examine remuneration conditions for expert evaluators

This issue is under discussion with the central Commission services. The remuneration for experts is a cross-cutting issue concerning all EU funding programmes.

Recommendation 5 – increase recognition of the Seal of Excellence

Up to now, the Seal of Excellence has more than 30 seal support schemes in place in 15 countries. The Commission accepts, however, that further development is necessary.

The Commission has taken a number of steps in Horizon 2020 to improve the potential impact of the scheme:

- Extension in 2016 to MSCA
- Adoption in early January 2017 of an Explanatory note on the application of State Aid Rules relating to the Seal of Excellence
- Establishment of a Community of practice, bringing together more than 200 funding bodies - Publication of guidance notes

Nevertheless, the constraints identified by the ECA, especially the freedom for national and ESIF programmes to choose whether to recognise or not the Seal of Excellence, remains a problem. The proposals for the next generation of programmes will further facilitate synergies between the EU Research Framework Programme, the ESIF and other EU programmes, and national and regional programmes. The experience from the Seal of Excellence has been a major contributor to these new provisions.

Recommendation 6 – stability for rules and guidance for participants

The rules and guidance for Horizon 2020 are stable, no further major changes are planned. The Commission proposal for the Rules for Participation for Horizon Europe provides a mix of continuity and improvements.

Recommendation 7 – improve quality of outsourced ex-post audits

The Common Audit Service put in place a Quality Control Cell that reviews all the audit reports, at draft and final levels, and ensures consistency with the rules in force and with previous audit opinions on the same issues. The external firms are closely monitored and controlled via meetings, trainings, daily instructions and guidance.

Recommendation 8 – further simplify tools and guidance for SMEs

The Commission notes that there has been a considerable increase in participation by SMEs, which shows the success of Horizon 2020 in attracting and supporting them. In FP7, SME participation was 17% of relevant expenditure, with EUR 4.9bn of EU contribution over the seven years. In Horizon 2020, by July 2018, SME participation was 24% of the relevant expenditure, well above the target of 20%.

Europe 2020

51. DG R&I claims to have made substantial contributions to the European Semester exercise, contributing to 13 country-specific recommendations calling upon the Member States concerned to strengthen their national science and innovation systems. The European Parliament is responsible for taking the correct action in the MFF to ensure that corrections and improvements are carried out in Member States where defects have been identified. Country specific recommendations seem necessary to make targeted recommendations to each Member State. When will DG R&I follow Parliament's wish to make country-specific recommendations? What recommendations did DG R&I give to which Member State?

<u>Commission's answer:</u>

The 2019 Country Specific Recommendations (CSRs) include a stronger focus on identifying and prioritising investment needs at national level and pay special attention to regional and territorial disparities. This is in line with the thorough analysis of investment needs and bottlenecks identified for each Member State in the country reports and should serve to prioritise the use of EU funds in the next multiannual financial framework 2021-2027.

In this context, research and innovation feature prominently across this year's CSRs. The CSRs highlight that investment in research, development and innovation is a must in for all EU 28 Member States to enhance their productivity growth and competitiveness.

In addition, 10 Member States received recommendations addressing specific research and innovation issues (the Czech Republic, Denmark, Estonia, Spain, France, Ireland, the Netherlands, Lithuania, Poland, Portugal).

- Four CSRs concern key reforms of the national R&I systems: remove the barriers hampering the development of a fully functioning innovation ecosystem (Czech Republic); the efficiency of public support schemes (France); enhance the effectiveness of policies supporting research and innovation (Spain) and use more direct funding instruments to stimulate research and innovation to diversify the economy and improve the productivity of firms – small and medium enterprises in particular (Ireland).
- Four CSRs focus on the innovation capacity of the economy: importance of increasing private investment in innovation (the Netherlands); broaden the innovation base to include more companies (Denmark) and foster innovation by improving the capacity and labour market relevance of the education and training system (Estonia). In addition, Portugal is recommended to increase the number of higher education graduates, particularly in science.
- Two CSRs concern the need to strengthen science-business cooperation: develop a coherent policy framework to support science-business cooperation and consolidate research and innovation implementing agencies (Lithuania) and strengthen the innovative capacity of the economy, including by supporting research institutions and their closer collaboration with business (Poland).

52. How does DG R&I intend to increase the share of investment in climate action and digitalisation?

Commission's answer:

For Horizon Europe, the selection of topics, and therefore the share of investment in different areas, will be set through a strategic planning process involving, in different ways, the European Parliament, the Council and other stakeholders. Climate action and digitalisation are recognised as priority areas for investment in Horizon Europe, but these will need to be assessed in relation to other priorities, such as health and space. In any case, the Commission has committed to spend at least 35% of Horizon Europe on climate action.

53. How does DG R&I evaluate the current level of SME participation in the "Leadership in Enabling and Industrial Technologies" (LEIT) part and the Societal Challenges Pillar of the Horizon 2020 programme?

Commission's answer:

The level of SME participation in the "Leadership in Enabling and Industrial Technologies" (LEIT) part and the Societal Challenges Pillar of the Horizon 2020 programme was just over 24% at the end of 2018, exceeding the target (set in the Horizon 2020 Regulation) of 20%. This is an excellent result, and reflects the considerable efforts made to attract SMEs to the programme and the simplifications introduced to facilitate their participation. DG R&I considers that the level of participation of SMEs is very positive and helps to produce dynamic and innovative research.

Financial management

54. Over the years, DG R&I has reduced its error rate to 2% in 2018 with regard to Horizon 2020 (FP7 projected residual error rate 3,36%). Some years ago, the Commission claimed that such a development would be inconceivable given the high number of individual grants. How does the Commission explain this development?

Commission's answer:

The error rate reported by the Court of Auditors according to the report (§5.3) is related to the following: it includes spending on research and innovation, education and training, trans-European networks in energy, transport and telecommunications, space programmes and business development. The main programmes financed under this sub-heading are the Seventh Framework Programme (FP7) and Horizon 2020 for research and innovation, and Erasmus+ for education, training, young people and sport.

In this respect, in the report (§5.13) the Court states out the following: "However, despite the improvements in the programme design and the Commission's control strategy, our results show that research spending alone is still affected by material error. The Commission itself estimates that the H2020 error rate remains above the 2 % materiality threshold (see paragraph 5.28)."

The Commission assessment of the error rate is still affected by material error. Consequently, there is no discrepancy between the Court and the Commission.

The Horizon 2020 audit campaign has recently started, and its results cannot be considered yet as fully representative for the overall implementation of the programme. Thus, one has to treat with certain caution when drawing conclusions out of these results. Given the multiannual nature of the audit strategy, certain conclusions can be drawn at later stages, once the number of concluded audits is representative to the overall population of the programme

55. One of the strategies to boost European research is to increase the participation of the private sector, especially start-up companies and SMEs. More than 50 % of the quantifiable errors found (17 out of 31) involved funding for private beneficiaries, even though these transactions accounted for only 39 (30 %) of the 130 transactions sampled by the Court. New entrants and SMEs represented approximately 10 % of the overall sample but their share of the quantifiable errors is 30 %. A particularly prevalent source of error in the Court's audits is the incorrect declaration of salary costs by SMEs. How does DG R&I mitigate that risk? Could the Commission comment on whether this high rate of errors among SMEs and start-ups seems to be reflection of the high the costs that SMEs and start-ups have to incur in the application process or is the high error rate a reflection of an attempt by these companies to receive reimbursement for their normal personnel costs?

Commission's answer:

One of the policy objectives of the Programme was indeed to increase participation of SME and newcomers. The EC fully acknowledges the inherent risk related to this objective. For this, the Commission has put in place several initiatives to address the risk and help beneficiaries that are more prone to errors to understand better the programme implementation modalities. Beneficiaries may find in the Commission funding & tenders portal, guidance material for better understanding the rules applicable to the Grant Agreement and its implementation modalities. A Service enquiry Help desk is also available to all beneficiaries and provides advice to the questions raised on all the matters they may need additional guidance on. Finally, outreach events are regularly organised for the beneficiaries in various MS aiming at communicating common errors and lessons learnt.

56. What measures does DG R&I take to ensure beneficiaries receive their money from the project coordinator within 90 days?

Commission's answer:

The delay for distributing the EU contribution is an obligation for the coordinator in the grant agreement. In case of problems, beneficiaries can inform the Commission/Agency project officer through a formal notification via the Funding & Tenders Portal who will then take it up with the coordinator. Compliance with this obligation is also checked in ex-post audits.

57. What measures has the DG R&I taken to improve the internal management and control systems in the Education, Audio-visual and Culture Executive Agency? Why is progress so slow?

Commission's answer:

The EACEA has already implemented the large majority of actions foreseen in the Action Plan drafted in response to the IAS audit on Project Management (phase II). Among all the actions taken:

- Authorising Officer by Sub-Delegation reports were revised to ensure that they provide thorough information for the Authorising Officer by Delegation to conclude on the robustness and reliability of his/her declaration of assurance;
- The agency updated its guidelines and approved a new procedure on exceptions and non-compliance events, which provides for a role of the Director's office in the quality review process and an earlier intervention of the Director in the exceptions approval process and in the definition of the mitigating measures for non-compliance events. The improved guidelines will facilitate the IC assessment process and faster feedback to be provided at regular intervals to senior management and parent DGs;
- A systematic review of the existing exceptions and non-compliance events has been introduced (latest review provided to the Steering Committee in October 2019) and actions are undertaken to mitigate the underlying causes.

These and all the other measures contained in the Action Plan are completed or close to completion. They form part of a broader spectrum of actions undertaken to bring about a culture change in EACEA following the outcome of both phases I and II of the IAS audits.

In its role as main parent DG of the Education, Audio-visual and Culture Executive Agency, and under the reinforced supervision regime that was put in place in the context of the IAS audits, DG EAC is closely monitoring and supporting the implementation of the Action Plan.

Given that the Agency started implementing mitigating actions directly after the end of the Internal Audit Service audit fieldwork, the IAS was able to perform a first follow-up (of the critical recommendation) already in March 2019. Taking into account the progress made, the IAS downgraded the rating of the recommendation from 'critical' to 'very important. Please refer to the replies to questions 29 to 33 for further details.

Cooperation with EIB/EIF

58. DG R&I authorized payments worth EUR 473 million to the EIB/EIF. On which programmes/projects was this money spent? How much of this amount has reached the beneficiaries at this stage? How does DG R&I control the implementation of this money?

Commission's answer:

Payments transferred to the EIB and EIF have been done in the frame of the Horizon 2020 Financial instruments. They correspond to the First Loss Piece (FLP) required to grant direct loans to final beneficiaries, guarantees to financial intermediaries or equity participation in VC funds. As of 31/12/2018 more than EUR 19 billion financing has been provided to more than 19,000 final beneficiaries.

In compliance with the Financial Regulation, the EIB and EIF FAFA as well as the InnovFin Delegation foresee the provision by the entrusted entities of a set of documents allowing DG RTD to ensure the sound financial management of the Horizon 2020 contribution (Audited Financial statements, operational reporting, management report, Report on audits and controls, Agreed Upon Procedure report).

59. In 2018, EIB drew from the EU account an amount of EUR 3.57 million for administrative fees, EUR 3.23 million for policy-related incentive fees and EUR 0.42 million for treasury asset management fees and unforeseen expenditures. The cumulative amount of fees drawn by the EIB as of 31/12/2018 amounts to EUR 39.55 million. Does the Commission consider such fees appropriate?

Commission's answer:

Considering the indirect management mode of the Horizon 2020 InnovFin financial instruments, the level of fees charged by the EIB and EIF is defined in the InnovFin Delegation Agreement in compliance with the provisions of the EIB and EIF Financial and Administrative Framework Agreement. The level of fees related to the performance of the entrusted entities represents more than the half of the chargeable fees.

Audit related questions

60. Which private audit firms were conducting audits on behalf of the Commission in 2018?

Commission's answer:

The following External Audit Firms carried out Horizon 2020 audits in 2018 on behalf of the Commission on Horizon 2020 projects:

- KPMG
- PWC
- BDO (ex Moore Stephens)
- Lubbock & Fine (for FP7)
- Ernst & Young (for FP7)

Annual Activity Report

61. The share of third-country participations in Horizon 2020 was 3,86 % in 2018: Could you give us a list of participating countries with more detailed data with all participating third-countries?

Commission's answer:

Please, find in the table below the detailed data on the number of participations of third countries in Horizon 2020 in 2018, as well as the corresponding EU contribution:

Country	Number of Participations	Amount of EU Contribution
United States	245	€ 13,919,556
China (People's Republic of)	75	€ 32,500
Canada	67	€ 287,050
India	63	€ 1,316,173
Australia	46	€ 86,250
Japan	37	€ 585,188
Argentina	35	€ 2,434,244
South Africa	33	€ 6,824,480
Brazil	28	€ 507,875
Chile	26	€ 2,129,741
Russian Federation	25	€ 156,000
Colombia	18	€ 1,871,459
Korea (Republic of)	15	€ 0
New Zealand	10	€ 1,262,328
Morocco	10	€ 889,087
Lebanon	9	€ 844,943
Malaysia	9	€ 601,500
Peru	9	€ 396,400
Mexico	9	€ 217,590
Egypt	8	€ 756,151
Thailand	8	€ 581,931

Senegal	8	€ 419,200
Belarus	8	€ 368,329
Ecuador	7	€ 749,275
Kenya	7	€ 747,281
Viet Nam	7	€ 634,775
Ethiopia	7	€ 405,382
Uruguay	6	€ 1,021,932
Costa Rica	6	€ 329,313
Ghana	5	€ 598,356
Pakistan	5	€ 375,709
Hong Kong	5	€ 0
Jordan	4	€ 4,113,409
Uganda	4	€ 741,028
Azerbaijan	4	€ 467,188
Paraguay	4	€ 264,594
Nigeria	4	€ 102,875
Taiwan	4	€ 0
Indonesia	3	€ 483,750
Eswatini	3	€ 312,500
Kyrgyzstan	3	€ 123,450
Cuba	3	€ 0
Singapore	3	€ 0
Tanzania (United Republic of)	2	€ 956,709
Greenland	2	€ 205,125
Iran (Islamic Republic of)	2	€ 153,113
Burkina Faso	2	€ 59,210
Cameroon	2	€ 0
Liechtenstein	2	€ 0
Saudi Arabia	2	€ 0
Sierra Leone	1	€ 8,095,237

Gibraltar	1	€ 768,250
Sri Lanka	1	€ 493,509
Cambodia	1	€ 446,700
Anguilla	1	€ 346,063
Bangladesh	1	€ 260,739
Kosovo * UN resolution	1	€ 231,250
Tajikistan	1	€ 227,488
Togo	1	€ 101,188
Nepal	1	€ 78,949
Panama	1	€ 59,375
Cape Verde	1	€ 49,331
Mongolia	1	€ 42,500
Rwanda	1	€ 35,313
Algeria	1	€ 22,750
Afghanistan	1	€ 15,660
Dominican Republic	1	€ 0
French Polynesia	1	€ 0
Kazakhstan	1	€ 0
Lao (People's Democratic Republic)	1	€ 0
Liberia	1	€ 191,750
New Caledonia	1	€ 0
Niger	1	€ 0
Qatar	1	€ 0
United Arab Emirates	1	€ 0
Uzbekistan	1	€ 0
Total	**935**	**€ 60,798,994**

62. How high was the success rate of third-countries in calls for tenders under Horizon 2020 in 2018?

Commission's answer:
A system allowing centralised (across Commission activities) management of data related to calls for tenders has been deployed earlier this year and does not contain historical data. The focus of Horizon 2020 is the funding of research projects submitted in response to calls for proposals. In that respect, third country applications have an overall success rate of 18.61% in terms of successful applications.

63. How many grant agreements for Horizon 2020 were signed with which Third Countries in 2018? What was the corresponding financing amount?

Commission's answer:
168 grant agreements were signed in 2018 with at least one non-associated third-country beneficiary. The total EU contribution to these projects amounted to EUR 1008 million. 418 grant agreements were signed in 2018 with at least one non-associated third-country participant (i.e. with a status of beneficiary, third party, partner organisation or international partner). The total EU contribution to these projects amounted to EUR 1,367 million.

64. The European Council conclusion of 28 June 2018 concluded that Europe must further develop its high-quality research across the EU and turn it into new products, services and business models. What measures are planned by the EC to achieve this Goal?

Commission's answer:
The need to develop high-quality research across the EU and turn it into new products, services and business models is a major preoccupation of the Commission and has led to a number of developments in its proposal for Horizon Europe. In particular, the creation of missions, the increased emphasis on synergies with other programmes and the creation of impact pathways are evidence of a revised approach, with research and innovation operating as an important driver of societal and economic transformation.

65. An event called "Bridging the EU innovation divide together" was organised in April 2018 to exchange ideas on how to reach across the divide and increase collaboration in the areas of research and innovation between different regions and Member States. AAR 2018 claims, that this event was key in the development of new efforts in Horizon Europe. What has the EC done so far in this area on the initiative of the aforementioned event?

Commission's answer:
The measures of Horizon 2020 aimed at 'widening participation and spreading excellence' continued to be implemented with the introduction of minor improvements and increased call budgets. Existing data show and are achieving their objective: On average,

as of mid-2019, 5.6% of the total Horizon 2020 budget is going to Widening countries, up from 4.2% in the Seventh Programme for Research, Technological Development and Demonstration Activities (2007-2013) (FP7) and 4.8% one year ago. Additionally, a very strong commitment in this area for Horizon Europe, the future Programme for Research, Technological Development and Demonstration Activities (2021-2027) was agreed with an overall budget of 3.3% of the programme, trebling the 1% allocated for the same area in Horizon 2020. Under Horizon Europe existing measures will be continued and reinforced and new package of initiatives is to be discussed and agreed with stakeholders and Member States.

66. According to the latest Eurostat data on R&D expenditure in November 2018, the EU R&D expenditure (as % of GDP) was 2.07% in 2017 (latest data), well below the overall 3% of Gross Domestic Product Research and Development investment target. It´s clear that this target will not be achieved by 2020. The AAC 2018 also states, that the DG R&I is continuing to work on several fronts to close the gap to the target or to mitigate the effects of the gap. Which specific steps have been taken to change the current situation?

Commission's answer:

The figure quoted in the question is correct, when referring to the Eurostat November 2018 data.

According to the data published by Eurostat in November 2018 (news release of 10 January 2019), the R&D intensity (total R&D expenditure as a percentage of GDP) was 2.07 % in the EU in the reference year 2017, compared to 2.04 % in the year 2016. Recently the figure has slightly been revised to 2.06 % (from 2.07%) for 2017.

It ranged between 3.4% (Sweden) and 3.16 (Austria) on the upper side, and 0.50% (Romania) and 0.51% (Latvia) on the lower side. The 2020 objective for the whole EU is 3%, with different targets set for different countries.

In 2019, for the first time, all Member States received a **country-specific recommendation as part of the European Semester** of economic policy co-ordination that calls for investment in research and innovation. These recommendations focus on policy reforms to enhance the quality and efficiency of national R&I systems. They underline that in many Member States and regions there is significant scope to reinforce the science base and boost cooperation between businesses, academia, research and public sector actors. Finally, they highlight the role of sound framework conditions for business R&D in creating market opportunities and raising the innovation capacity of the economy.

The **Horizon 2020 programme** is the largest publicly funded, cross-disciplinary and cross-sectoral scheme in the world, with important European value added. The support to research and innovation is proposed to be significantly stepped up in the new Multiannual Financial Framework by expanding the proposed budget for the next research programme Horizon Europe to 100 billion euro from current nearly 80 billion euro. As part of the Horizon Europe proposal, a **European Innovation Council** will offer a one-stop shop for high potential and breakthrough technologies, as well as for innovative companies with potential for scaling up. **EU-wide missions** with ambitious goals will focus on issues such as fighting cancer, preserving health from all kind of pollutions, or ensuring food security.

In addition, in the proposal for the **Multiannual Financial Framework 2021-2027**, a set of EU initiatives are foreseen to step up investments in research and innovation capacity:

- Overall, EUR 100 billion are earmarked for the future programme Horizon Europe, as mentioned above.
- The Commission proposed to mobilise around EUR 11 billion for market-based instruments (including financial instruments and budgetary guarantees) in a dedicated window under the InvestEU Fund, expected to mobilise EUR 200 billion of private investment to support R&D and innovation.
- A major new initiative combining the Horizon Europe programme, EFSI and the Programme for the Competitiveness of Enterprises and SMEs to launch VentureEU, with a potential to double the total venture capital investment in Europe. Moreover, also the European Investment Fund provides risk financing for SMEs and small mid-caps, ensuring access to affordable finance for European enterprises.
- The new Digital Europe Programme inter alia provides coherent and comprehensive support for building up the digital skills needed to support reskilling and upskilling in Europe (EUR 700 million).
- Innovation also has an important regional dimension and EU structural funds promote the 'smart specialisation strategies'. Member States and regions have developed over 120 such strategies establishing priorities for research and innovation investments for the 2014-2020 period, with a contribution of more than EUR 40 billion through the European Regional Development Fund.

The Budgetary Instrument for Convergence and Competitiveness will help euro area economies to enhance resilience through support to targeted reforms and investment.

Frauds

67. The 2018 OLAF Report mentions, that even the research field is not exempt from fraud. The cases concluded by OLAF in 2018 involved fraudulent double-funding, where researchers either received both EU and national grants for effectively doing the same work or received funds from two different European projects. What measures does the Commission take to prevent this kind of fraud?

Commission's answer:

The Commission has no tolerance for fraud and corruption affecting the EU budget. In this respect, it has recently adopted a new Anti-Fraud Strategy. The new Commission Anti-Fraud Strategy foresees a priority action having as specific target the strengthening of IT-based fraud prevention and detection actions, with specific regard to risk scoring and controls for double-funding, plagiarism and other similar misconducts.

The research and innovation family has drawn a specific anti-fraud strategy, which is fully in line with the corporate one. The R&I family coordinates closely with central services as well as with OLAF to prevent and detect fraud. The Common Audit Service within the Common Implementation centre coordinates the anti-fraud related activities within the R&I family.

For the detection of double funding and plagiarism in research and innovation in particular, the Common Implementation Centre of the R&I family, hosted by DG Research and Innovation, has developed an IT tool, which is in production since spring 2019. For detection of plagiarism, the IT development is on going and implementation in the production environment is expected for December this year. The Commission has other measures in place to also prevent such occurrences, such as Inter-service consultations on the lists of proposals selected for funding.

On a general note, the Commission would like to clarify the distinction between the principle of no double funding and the principle of co-financing.

The principle of no double funding is set out in Article 191(3) of the Financial Regulation: '*In no circumstances shall the same costs be financed twice by the budget'.* It means that the same cost cannot be declared both under two or more Union grants, i.e. by Horizon 2020 action as well as under another EU or Euratom grant from the same or different Union programme. This includes, for example, costs managed/funded/awarded by Member States but co-funded with EU/Euratom funds (e.g. European Structural and Investment Funds (ESIF)).

The co-financing principle is set out in Article 190 of the Financial Regulation: *'Grants shall involve co-financing. As a result, the resources necessary to carry out the action or the work programme shall not be provided entirely by the grant'*. Differently from the no double funding principle, it means that the part of the costs that is not reimbursed by the Union grant (e.g. indirect costs exceeding the 25% flat rate in H2020 research grants) has to be covered by the participant's own resources or, as an option, by a contribution from third parties. The contribution (financial or in-kind) from the third parties can be either from private bodies or for instance from the State or other national public bodies.

68. The Court of Auditors makes a recommendation for mainstreaming the Commission's support of innovative and sustainable projects in the coal and steel sectors into the EU research framework programme. What is the Commission position on this recommendation and does it consider relevant to continue EU's Research Fund for Coal and Steel as a separate programme?

Commission's answer:

The Court of Auditors suggests that the funds should be made productive within the EU's research framework programmes, therefore enhancing synergies with Horizon Europe.

The EU's Research Programme for Coal and Steel (RFCS) is governed by Protocol 37 of the EU Treaty. Article 1 of this Protocol states that the revenues of the ECSC in liquidation shall be exclusively used for research in the sectors related to the coal and steel industry, outside the research framework Programme. The merge of the RFCS Programme with the EU research framework programme would need a modification of the Treaty.

Coherence and complementarity of RFCS with Horizon 2020 has been ensured in early 2018 by an alignment of the RFCS multiannual technical guidelines through a modification of its Legal basis. In November 2018, the Commission presented its strategic long-term vision for a prosperous, modern, competitive and climate-neutral economy by 2050. In this Communication, the Commission explicitly committed to explore how the assets of the European Coal and Steel Community in liquidation could support breakthrough technologies for low-carbon steelmaking. The December 2018 European Parliament Pilot Project ‘Green Steel for Europe’ will help the Commission to set up the architecture and design of an improved synergy between RFCS, Horizon Europe and the Innovation Fund to achieve this ambitious goal.”

Further questions

79. Are there any further measures planned to reduce red tape and complexity of rules in the reimbursement of Research Programs, especially for SMEs?

Commission's answer:

Regarding Research & Innovation programmes please refer to replies to Questions 9, 13, 18 and 50.

Regarding the for implementation of the Erasmus+ and the European Solidarity Corps programmes at national level, the Commission provides the Member States with an extensive set of detailed guidance documents. These documents include, among others, the Guide for National Agencies to guide the National Agencies in their management of the EU funds entrusted to them and help them implement the project life cycle with applicants and beneficiaries.

Further, the Commission issues a Programme Guide for the respective programmes, which are mainly addressed to participating organisations and individuals involved in activities organised by the participating organisations. The Programme Guides include a section dedicated to providing detailed information on procedures for not only the grant application and selection of projects, but also on the financing schemes, including the criteria in relation to the eligibility of costs, as well as payments and possible financial penalties. These guidance documents are revised each year; updated and clarified where needs are identified.

80. Have there been any measures taken to improve guidance for Member States on the reimbursement and eligibility rules?

Commission's answer:

Please refer to replies to Questions 17, 19 and 50.

81. What is the implementation rate (money paid to final beneficiaries/recipients) under Horizon 2020 in 2018 and up to now? What percentage of the programme's budget do the payments represent?

Commission's answer:

The amounts committed and paid in relation to Horizon 2020 are set out in the following table:

	Period	Horizon 2020 Total executed budget (mEUR)
Executed Commitments (voted budget)	2014	9,022.1
	2015	9,538.9
	2016	9,542.4
	2017	10,422.4
	2018	11,214.4
	2014-2018	**49,740.3**
Executed Payments (voted budget)	2014	1,329.5
	2015	5,114.6
	2016	7,258.6
	2017	8,509.1
	2018	9,753.3
	2014-2018	**31,965.2**
% of the executed budget over 2014-2018	**2014-2018**	**64.26%**

82. The Commission reports that from 2014 to 2018 5250 top researchers at various stages of their careers have been funded via Horizon 2020. Could the Commission provide information from which countries are these researchers and how many come from a given country?

Commission's answer:

Researchers per country:

Country Code (ISO)	Country	Total
AUT	Austria	142
BEL	Belgium	191
BGR	Bulgaria	1
CHE	Switzerland	346
CYP	Cyprus	7
CZE	Czechia	26
DEU	Germany	825

DNK	Denmark	117
ESP	Spain	322
EST	Estonia	6
FIN	Finland	106
FRA	France	613
GBR	United Kingdom of Great Britain and Northern Ireland	1016
GRC	Greece	27
HRV	Croatia	2
HUN	Hungary	29
IRL	Ireland	69
ISL	Iceland	4
ISR	Israel	287
ITA	Italy	280
LTU	Lithuania	1
LUX	Luxembourg	9
NLD	Netherlands	471
NOR	Norway	68
POL	Poland	15
PRT	Portugal	64
ROU	Romania	6
SRB	Serbia	2
SVK	Slovakia	1
SVN	Slovenia	6
SWE	Sweden	178
TUR	Turkey	13
Grand Total		**5250**

83. Could the Commission provide information how it monitors and reports on the contribution of the Horizon 2020 to the implementation of the Sustainable Development Goals? What has been the impact of the Programme until now on achieving the SDGs?

Commission's answer:

Horizon 2020 began in 2014, before the publication of the Sustainable Development Goals. The monitoring framework for Horizon 2020 had already been established and was not designed to capture information on the individual SDGs. However, Horizon 2020 has three SDG related objectives (climate action, sustainable development and biodiversity) and ten different SDGs have been identified as particularly relevant in guiding present and future R&I work. The financial contribution to these objectives was monitored based on the RIO Markers Methodology and is reported in the programme statement. In the future Horizon Europe, the monitoring towards the SDGs will be part of the novel Key Impact Pathways monitoring framework, in line with the overall objectives of the programme.

84. The Commission reports in the Programme Statements to Budget 2020 that despite a considerable increase compared to FP7, investment for climate action under Horizon 2020 has not yet reached its target and that attaining the target of exceeding 35% of the overall Horizon 2020 budget remains a challenge. Could the Commission explain what the reasons for having difficulties to reach the climate action target are?

Commission's answer:

Around 32% of Horizon 2020 is committed to programmes for Excellent Science, chiefly the European Research Council and the Marie-Sklodowska-Curie Actions. These are “bottom up” actions, where the Commission has no influence over the proposals presented by researchers. It is therefore impossible to predict in advance whether the proposals will relate to climate action or not, and in reality the level of support to climate-related actions have been relatively low. The level of climate–related expenditure in the so-called “programmed” part of the programme, where the Commission sets the areas of research it wishes to support, is much higher, but not enough to make up the shortfall in the “bottom-up” schemes.

The other reason is that different priorities have arisen over the course of Horizon 2020 that have limited the scope to increase the funds invested in climate-action. The increased importance of digitalisation, including cybersecurity, is one such increased priority.

85. According to the Commission since the launch of Horizon 2020, 32.4% of grants have taken into consideration the gender dimension in the research and innovation content. What is the reason that gender dimension has not been taken into consideration in the other most that 67% of grants?

Commission's answer:

H2020 has actually set new standards at European level by introducing a dedicated Article on gender equality within its Framework Regulation and setting gender as a cross-cutting issue. Applicants to all Horizon 2020 topics are required to describe, where relevant, how sex and/or gender analysis is taken into account in their project's content. In addition, in each work programme, a number of topics for calls for proposals are identified ("gender-flagged") which means that they have an explicit gender dimension that should be addressed in projects funded under those topics. This integration of the gender dimension into research and innovation content has been increasing steadily over the successive Horizon 2020 work programmes, going from 16.2% of topics being gender-flagged in the 2014-2015 work programmes, to 35.3% of topics in the 2020 work programme. The level of integration of the gender dimension in the projects themselves however remains uneven.

In Horizon Europe, gender provisions are being further reinforced, with a strengthening of the gender dimension across the Programme. Building on evidence-based recommendations stemming from initiatives funded under Horizon 2020, Commission services are currently working on provisions and guidance to ensure an efficient integration of sex and gender based analysis into research and innovation contents across Horizon Europe.

86. Could the Commission present more information about the implementation in practice of the cooperation and coordination with the cohesion policy, including examples of projects?

Commission's answer:

The creation of synergies between Horizon 2020 and the European Structural and Investment Funds (ESIF) is a major priority in order to maximise quantity, quality and impact of investments in research and innovation for a smart socio-economic growth and to address the innovation divide.

Cooperation and coordination with the cohesion policy happens at different levels:

Firstly, at strategic level, whereby investment in research and innovation is recognised as a key element for a smart socio-economic growth and as the ESIF operational plans make a clear reference to the synergic uses of different (stemming also from the Semester process exercise – with the newly introduced Annex D)

At the same time, the link to smart specialisation strategies is advocated in specific parts of Horizon programme as an important element for the submission of proposals (for instance Teaming under Widening)

At operational level, although Horizon 2020 and the Structural Funds have different overall aims, the regulations for both funding instruments already for the current programming period include synergy-friendly provisions to facilitate this process. For example, the funding rules between Horizon 2020 and Cohesion Policy have been brought closer and beneficiaries have the possibility to combine Horizon 2020 funding and additional funding from the ESIF, including in the same overall project (but for different expenditure items).

At project level, a typical example of project that foresee the complementary/synergic use of funding in the same overall project from both Horizon and Structural Funds is Teaming action under the Widening Programme, which aims at valorising and connecting pockets of excellence in low R&I preforming countries with more advanced partners. Through the Teaming action, Horizon provides EUR 15 million per projects aimed at establishing a centre of excellence in a Widening countries under the condition that the same amount is disbursed through complementary national/regional funding which will cover different costs (mainly infrastructures). Eleven Teaming projects were funded in 2016 and fourteen more have been funded under the 2018 call and they are the jewels of excellence in the next decades.

Another example at project level is related to the Seal of Excellence, whereby over 30 countries /regions now have established over 50 targeted funding schemes using national/regional funding (including ESIF) to support these excellent Horizon R&I SME projects and Marie Sklodowska Curie actions having a seal of excellence. In addition, DG R&I has elaborated, and provided on request to regions, the aggregated figures of Seal proposal per region which are also now accessible through the Dashboard

However, the Commission recognises that more can be done to simplify these operations. In preparing the regulations for Horizon Europe and the future cohesion policy, and in the upcoming revision of the State Aid General Block Exemption Regulation for State Aid, there is particular emphasis on further simplification and alignment to encourage synergies: for instance, new provisions make it possible to transfer funding from the Structural Funds to Horizon Europe if it could be used more efficiently for the benefit of the Member State concerned; the possibility to use same eligible costs and funding rates of Horizon when using ESIF to fund seal of excellence proposals and co-funded projects is also envisaged; rules to avoid double auditing are also foreseen.

ANNEX I – Evaluations and other studies 'Research and Innovation' 2017 and 2018 (Question 4)

Evaluations and other studies finalised or cancelled in 2017
Research and Innovation: Ex-post Impact Assessment of FP6 sub-priority Global Change and Ecosystems
Network analysis of Civil Society Organisations' participation in research framework programmes
Synergies between Framework Programmes for Research and Innovation and European Structural and Investment Funds - Contributing to the Interim Evaluation of Horizon 2020 *Final Report*
Interim evaluation of Twinning and ERA Chairs - Horizon 2020
Horizon 2020 Commission expert group to assist the Strategic Research and Innovation Agenda (STRIA) initiative
Interim Evaluation of Horizon 2020 - Societal Challenge 2. Food Security, Sustainable Agriculture and Forestry, Marine, Maritime and Inland Water Research and the Bioeconomy
Meta-Evaluation of Article 185 Initiatives
Sustainable European Research infrastructures. A call for action
Great Start in Life! The Best Possible Education in the Early Years
Assessment of the 2015 response to the Fast Track to Innovation (FTI) pilot call
Interim evaluation of Horizon 2020 Financial Instruments
Final Evaluation of the European Metrology Research Programme (EMRP) and Interim Evaluation of the European Metrology Programme for Innovation and Research (EMPIR)
The Final Evaluation of the Innovative Medicines Initiative Joint Undertaking (2008-2016) operating under the 7th Framework Programme
June - 2017 *The Interim Evaluation of the Innovative Medicines Initiative 2 Joint Undertaking (2014-2016) operating under Horizon 2020*
Evaluation of Health research under FP6 and FP7, In-depth Case studies
Ex-post evaluation of the Health theme in FP7
Mid-term review of the contractual Public-Private Partnerships
Horizon 2020 support to Smart, Green and Integrated Transport - Studies and reports
Interim Evaluation of the Bio-based Industries Joint Undertaking (2014-2016) operating under Horizon 2020
Ex-post evaluation of the FP7 Science in Society Programme
Report from the Commission Expert Group on the interim evaluation of Science with and for Society and Responsible Research and Innovation in Horizon 2020 contributing to the Interim Evaluation of Horizon 2020
Research and Innovation: Ex Post Evaluation of FP7-Environment
Research and Innovation: An analysis of the role and engagement of universities with regard to participation in the Framework Programmes
Research and Innovation: An analysis of the role and impact of Research Performing Organisations' participation in the Framework Programmes
Research and Innovation: Ex post evaluation and impact assessment of funding in the FP7 NMP thematic area
Research and Innovation: The contribution of the Framework Programmes to Major Innovations
Research and Innovation: Analysis of patenting activities of FP7 NMP projects
Research and Innovation: Ex-post Evaluation of Transport Research and Innovation in FP7 Cooperation Programme

Research and Innovation: Analysis of Smart Specialisation Strategies in Nanotechnologies, Advanced Manufacturing and Process Technologies
Research and Innovation: Interim evaluation report on Joint Baltic Sea Research and Development Programme BONUS
Research and Innovation: Review of S&T cooperation between the European Union and India
Research and Innovation: Assessing the Research Management Performance of Framework Programmes Projects
Research and Innovation: International cooperation in Science, Technology and Innovation: Strategies for a Changing World
Research and Innovation: Assessing the Effectiveness of Simplification Measures under FP7
Research and Innovation: Impact Assessment of the Research Potential Programme
Research and Innovation: Fourth FP7 Monitoring Report (Monitoring Report 2010)
Research and Innovation: Interim Assessment of the Research Public Private Partnerships in the European Economic Recovery Plan: Energy-efficient Buildings, Factories of the Future, and European Green Cars Initiative
Research and Innovation: Long-Term Impact of the Framework Programmes
Research and Innovation: Ex post Evaluation of FP6-NMP - Project Level
Research and Innovation: Interim Evaluation of the Innovative Medicines Initiative Joint Undertaking (IMI JU)
Research and Innovation: Assessing the Contribution of the Framework Programmes to the Development of Human Research Capacity
Research and Innovation: Interim evaluation and assessment of future options for Science in Society Actions
Research and Innovation: Review of S&T Cooperation between the European Union and the Republic of Argentina (2006-2010)
Research and Innovation: Stock-Taking of Results and Impacts of EU-Funded Environmental Research
Research and Innovation: Interim Evaluation of the European Metrology Research Programme (EMRP)
Research and Innovation: Interim Evaluation of EU FP7 Transport Research, notably within Theme 7 of the Cooperation Programme Transport (including Aeronautics)
Research and Innovation: State of the Art and Forward-Looking Analysis of Environmental Research and Innovation
Research and Innovation: Review of S&T Cooperation between the European Union and the Republic of Chile (2007-2011)
Research and Innovation: SME Participation in FP7 - Autumn report
Research and Innovation: Options for Strengthening Responsible Research and Innovation
Research and Innovation: Review of S&T cooperation between the European Union and Brazil
Research and Innovation: Methodology for framework programmes' impact assessment in transport [MEFISTO]
Research and Innovation: FP7 Mid-term review in the field of Transport
Research and Innovation: Ex-post evaluation of the FP6-2005-RTD- OMC-NET pilot scheme
Research and Innovation: Interim evaluation of FP7 International Cooperation activities
Research and Innovation: Eurostars Programme Interim Evaluation
Research and Innovation: Analysis of the impact of S&T cooperation with Morocco
Research and Innovation: ERA-NET Plus Review 2010
Research and Innovation: FP7 Monitoring report 2009
Research and Innovation: Evaluation of the effectiveness of the 6th Framework Programme New Instruments
Research and Innovation: Evaluation of European Technology Platforms

Evaluations and other studies finalised or cancelled in 2018
Dynamic network analysis of the Framework Programme
Impact of collaborative research in Horizon 2020
Evaluating the uptake and impact of participation in the European Framework Programmes for Research in Member States
Study on Assessing the European Added Value and the Economic Impact of the EU Framework Programmes (FP7, Horizon 2020)
Assessing the impacts of EU regulatory barriers on innovation
Study on assessing the research management performance of Framework Programme projects
Study on Budgetary impact of the changes in the cost calculation regime in the Seventh Framework Programmes (EC and Euratom) as compared to the Sixth Framework Programmes (EC and Euratom) and its effects on the administrative burden for participants
Study on An analysis of the role and impact of research and technology organisations' participation in the Framework Programmes
An analysis of the role and engagement of universities with regard to participation in the Framework Programmes
Study on assessing the contribution of the Framework Programmes to the development of human research capacity
Study on contribution of the Framework Programmes to major innovations
An Analysis of the role and impact of industry participation in the Framework Programmes
Study on Network Analysis of the 7th Framework Programme
Support for Assessments of Socio-Economic and Environmental Impacts of European Research and Innovation Programme
Synthesis of stakeholder input for FP9
Interim Review of the Common Support Centre
Research and Innovation: Ex-post Impact Assessment of FP6 sub-priority Global Change and Ecosystems
Network analysis of Civil Society Organisations' participation in research framework programmes
Synergies between Framework Programmes for Research and Innovation and European Structural and Investment Funds - Contributing to the Interim Evaluation of Horizon 2020 *Final Report*
Interim evaluation of Twinning and ERA Chairs - Horizon 2020
Horizon 2020 Commission expert group to assist the Strategic Research and Innovation Agenda (STRIA) initiative
Meta-Evaluation of Article 185 Initiatives
Interim Evaluation of Horizon 2020 - Societal Challenge 2. Food Security, Sustainable Agriculture and Forestry, Marine, Maritime and Inland Water Research and the Bioeconomy

Mid-term review of the contractual Public-Private Partnerships
Final Evaluation of the European Metrology Research Programme (EMRP) and Interim Evaluation of the European Metrology Programme for Innovation and Research (EMPIR)
Horizon 2020 support to Smart, Green and Integrated Transport - Studies and reports
Sustainable European Research infrastructures. A call for action
Assessment of the 2015 response to the Fast Track to Innovation (FTI) pilot call
Interim evaluation of Horizon 2020 Financial Instruments
Interim Evaluation of the Bio-based Industries Joint Undertaking (2014-2016) operating under Horizon 2020
The Final Evaluation of the Innovative Medicines Initiative Joint Undertaking (2008-2016) operating under the 7th Framework Programme
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Ex-post evaluation of the Health theme in FP7
Ex-post evaluation of the FP7 Science in Society Programme
Report from the Commission Expert Group on the interim evaluation of Science with and for Society and Responsible Research and Innovation in Horizon 2020 contributing to the Interim Evaluation of Horizon 2020
Research and Innovation: SME Participation in FP7 - Mid Term Report
Research and Innovation: Methodology for framework programmes' impact assessment in transport [MEFISTO]
Research and Innovation: FP7 Mid-term review in the field of Transport
Research and Innovation: Advanced Impacts evaluation Methodology for innovative freight transport Solutions [AIMS]
Research and Innovation: Ex-post evaluation of the FP6-2005-RTD- OMC-NET pilot scheme
Research and Innovation: Interim evaluation of FP7 International Cooperation activities
Research and Innovation: Eurostars Programme Interim Evaluation
Research and Innovation: Analysis of the impact of S&T cooperation with Mexico
Research and Innovation: Analysis of the impact of S&T cooperation with Morocco
Research and Innovation: ERA-NET Plus Review 2010
Research and Innovation: FP7 Monitoring report 2009
Research and Innovation: Mid-term evaluation of the Risk-Sharing Finance Facility (RSFF)
Research and Innovation: Evaluation of the effectiveness of the 6th Framework Programme New Instruments

Research and Innovation: Evaluation of European Technology Platforms
Research and Innovation: Impact evaluation of the control of infectious diseases Key Action in the Fifth Framework Programme of Research
Research and Innovation: Assessment of the implementation and achievements of Community research activities (1999-2003) – Five-Year Assessment
Research and Innovation: Interim Evaluation of FP7
Research and Innovation: Methodology for evaluation of project impacts in the field of transport
Research and Innovation: Evaluation of the Impact of Framework Programme supported Social Sciences and Humanities Research: A bibliometric approach
Research and Innovation: The Open Method of Coordination in Research Policy: Assessment and Recommendations
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