2014 Discharge to the Commission

WRITTEN QUESTIONS TO COMMISSIONER MOEDAS

Hearing on 3 December 2015

Performance related issues

1. To which extend did DG Research contribute to the achievements of the main objectives of the Europe 2020 strategy?

Commission's answer:

DG Research & Innovation contributed to the objectives of the 'Europe 2020' strategy by supporting high-quality investment in Research and Innovation (R&I) in the Member States and the introduction of national policy reforms to increase the impact and efficiency of national R&I systems.

In line with the 'Europe 2020' 3% R&D intensity target, the emphasis was on monitoring and assessing national R&I policy developments as part of the EU's economic coordination process (the 'European Semester'), leading to Country Specific Recommendations that addressed both the need to increase public R&D investments and to introduce reforms capable of increasing the impact of these investments, including through better leveraging of business R&D investment.

The increases in public R&D expenditure and in public support for business R&D in the years of fiscal consolidation (2007-2014) benefitted from the clear focus on maintaining and promoting R&D investment and on increasing its quality, and on boosting the leverage effect of public funding with respect to business R&D investment.

In addition, the 'Europe 2020' strategy contributed to the improvement of the business environment for R&D. Statistics show that the business R&D intensity in the EU bottomed out in 2005 and was resilient during the economic-financial crisis in Europe, with the business R&D intensity reaching an all-time high in 2014, although still below the desired level. As a result of positive trends in public and private R&D intensities, the total EU R&D intensity increased from 1.78% in 2007 to 2.03% in 2014. This contrasts with the stagnation of the intensity in the period 2000-2007 (the figure was 1.79% in 2000).

DG Research and Innovation contributed to the achievements of the 'Europe 2020' Strategy in a number of ways:

- First, the FP7 Ex-post Evaluation demonstrated a significant effect in terms of economic growth and job creation. The High-level Expert Group carrying out the ex-post evaluation of FP7 estimated that FP7 will increase GDP by about EUR 20 billion per year leading to EUR 500 billion over the next 25 years through its indirect economic effects and that FP7 created directly over 1.3 million job years (through projects funded over a period of 10 years) and indirectly 4 million job years over a period of 25 years. FP7 supported SMEs – the financial contribution to SMEs amounted to 17% of the total (€5bn), which was above the 15% target. SMEs participating in FP7 scored 38% higher than the control group on employment growth and operating revenue.

- Second, like no other existing programme would be able to do, FP7 enabled the cross-border, cross-sector and inter-disciplinary collaboration of the best and brightest in Europe and beyond in order to address the urgent societal challenges we are faced with. For instance, the FP7 'Cooperation' Specific Programme spent €3,426 billion on 862 projects developing breakthrough solutions in fields like energy and environment. New knowledge on social issues (e.g. migration, extremism) was generated through support amounting to €580 million for 253 projects in the 'Cooperation' Specific Programme. 76% of FP7 funding contributed to sustainable development.
- Third, a number of instruments were designed so as to increase total R&D investment in Europe with the aim of reaching the 3% R&D intensity target. These instruments included Public-Private Partnerships and Public-Public Partnerships. FP7 supported the competitiveness of Europe's industry in key sectors through 5 Joint Technology Initiatives in the areas of the development of new medicines, fuel cells and hydrogen, aeronautics, embedded systems and nanotechnologies. A total EU financial contribution of EUR 3.12 billion was matched by industry investment amounting to EUR 4.66 billion, demonstrating a leverage effect. JTIs have been able to generate a high level of industry participation in their activities including a SME participation rate of 28%. The FP7 Risk-sharing Finance Facility was effective in providing loan finance to R&I companies with a total loan volume of €16.2 billion.
- The contribution of FP7 to European competitiveness is also clear from the number of patents generated. The 9848 FP7 projects completed so far have applied for 1784 patents so far.
- As regards economic impact, the High-level Expert Group carrying out the ex-post evaluation of FP7 estimated that through short-term leverage effects and long-term multiplier effects, each euro spent by FP7 generated approximately 11 euros of direct and indirect economic effects through innovations, new technologies and products.

2. What was the DG R&I contribution to the article 318 TFUE evaluation report of the financial performance of the Union?

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

The contribution from DG Research & Innovation can be summarised as follows:

- Horizon 2020 aims to break down national barriers by funding international research consortia; addresses broad social issues thereby creating a critical mass; and promotes more intense competition in research, which leads to higher quality and excellence. Through EU action, the mobility of students, researchers and trainees is enhanced, rendering them better skilled and highly employable on the European labour market.
- The EU Framework Programmes support research that addresses pan-European challenges and develops numerous technological outputs and innovations. The EU facilitates the establishment of a common scientific base by coordinating funding across national borders and restructuring the R&D and innovation landscape in Europe. These objectives cannot be efficiently realised by individual Member States.
- The competitive nature of obtaining EU funding through the Framework Programme instrument has triggered the participation of top-quality researchers in first-rate research projects performing high-quality research as reflected in international peer-reviewed publications and scientific awards.
- EU action is needed to achieve the critical mass of resources and knowledge across different fields, technologies, scientific disciplines and research infrastructures required for breakthroughs which no single Member State can provide on its own. Three examples are listed:
    - The NEOShield project has been set up to carry out a detailed analysis of the open questions relating to realistic options for preventing the collision of a Near Earth Object (NEO) with the Earth.
    - The Graphene flagship is the EU's largest ever research initiative with 140 partners from 23 countries. European companies are joining the flagship's effort to take graphene and related materials from the lab to the market. To mention a few highlights, graphene researchers have developed an ingenious and cheap method to fabricate high-quality graphene by separating graphene flakes in a rotating liquid, much like in a kitchen blender.
    - The European Clinical Research Infrastructures Network (ECRIN) is a sustainable, not-for-profit infrastructure supporting multinational clinical research projects in Europe. It provides services for multinational clinical trials on rare diseases, medical devices and nutrition. It also develops tools for risk-adapted monitoring and will upgrade data management tools.

3. Can the Commission report on the proceedings of the Inter-service Group on Innovation Union?

Commission's answer:

The Inter-service Group on Innovation Union was established to contribute to the State of the Innovation Union 2015 Report, which is expected to be published by the end of 2015. The Report will provide an update on the state of implementation of the 34 commitments made under the Europe 2020 Innovation Union Flagship Initiative.

4. Can the Commissioner detail the contribution of his service to the country-specific recommendations during the European semester?

Commission's answer:

DG Research & Innovation contributes to the European Semester by providing inputs into the Country Reports issued by the Commission each February, which constitute the analytical basis for the subsequent Country Specific Recommendations addressed by the Council of the European Union to the Member States. R&I issues are thus fully integrated into the Commission's assessment of the economic situation and reform agenda of Member States.

As regards Country Specific Recommendations or “CSRs”, in the last cycle of the European Semester (2015), the inputs provided by DG Research & Innovation were used in the context of two different types of CSRs. First, in relation to the objective of adapting public finances in order to make them more growth-enhancing, with several recommendations calling on Member States with fiscal space to take active measures to increase support for productive investment. The CSRs addressed to Germany and the Netherlands recommended, for example, an increase in their public investment in R&D. In addition, in relation to the necessary reforms of national R&I systems to increase the efficiency, quality and impact of R&I investment, the CSRs addressed to Estonia and Latvia supported the on-going reform processes and in particular the effective implementation of previously announced measures in the context of smart specialisation.

5. How optimistic is the Commission that Member States will attain the target of investing 3% of GDP (key performance indicator) in research and innovation?

Commission's answer:

Despite increases in the public and private R&D intensities over the period 2007-2014, the EU is not on track to reach its 'Europe 2020' 3% R&D intensity target by 2020. The continuation of 2007-2014 trends would result in an overall R&D intensity of 2.28% by 2020. In order to meet the 3% target, the annual growth rate of the EU R&D intensity would need to more than triple compared to the average growth rate over the period 2007-2014 (6.7% vs 1.9%). Without a new impulse, the EU will miss its 'Europe 2020' R&D target.

Progressing more rapidly towards the 3% EU-level target requires faster structural change towards more knowledge-based economic activities. Speeding up such a change requires helping fast-growing firms in innovative sectors, including SMEs, to emerge and consolidate. It also requires an environment that is favourable to business R&D investment and innovation, and thus concrete policy actions to remove a range of bottlenecks relating to access to finance, the availability of a workforce with adequate skills (e.g. digital), and an improved regulatory environment. It should also be supported by a 'whole government' approach to the policy mix, given that various policies impact on knowledge creation and diffusion.

At individual Member State level, the situation is diverse. In 21 Member States, the R&D intensity increased over the period 2007-2014, but for most, a very significant acceleration of the R&D intensity growth is still required for meeting the national 'Europe 2020' R&D intensity target. The situation is more challenging for Romania, Luxembourg, Finland, Portugal, Spain, Sweden and Croatia, which need to reverse a decreasing trend. On the other hand, several Member States, and notably catching-up economies, seem on track to reach their national targets. In several economies, such as Germany, Denmark and Belgium, the combined dynamics of increasing public and business R&D intensities are striking. Denmark already reached its (3%) target, while Belgium and Germany are well on track to reach it.

6. How reliable is the performance indicator "publications" when measuring the impact of FP7 projects?

Commission's answer:

It should first of all be noted that the number and the quality of scientific publications are just two among a large number of complementary indicators capturing outputs, results and impacts along the innovation chain used to monitor and evaluate the programme's performance. In addition to scientific publications, programme monitoring and evaluation focuses, for instance, on the production of patent applications; pilots and demonstrators; new products, processes and innovations; longer-term and wider economic, social and environmental impacts; etc.

The number and quality of scientific publications provides an indication of the extent to which the Programme has generated new scientific knowledge and has supported scientific excellence. For FP7, participants have so far listed a total of 65.352 publications in their project final reports. Using data mining tools, a total of 204.000 publications have been identified that result from FP7 grants, out of which 42% are 'Open access', i.e. available to the public without charge.

Publications resulting from FP7 are of higher quality than publications overall. E.g. 30% of the publications resulting from the 'Ideas' Specific programme were published in the top 5% highly-cited journals and 7% in the top 1% highly-cited journals, which is above the EU (1.5%) and world (6.4%) averages. The ICT part of the 'Cooperation' Specific Programme of FP7 achieves a field-weighted citation impact of up to 3.6 points, which is above the EU (1.2 points) and US (1.5 points) averages. Parts of the 'Cooperation' Specific Programme achieve co-publication (publications together with authors from other countries) of up to 75%, which is far above the EU (35%), US (30%) and world (15%) averages.

The Commission continues to refine its bibliometric and other tools to capture the scientific impact of the Framework Programmes as well as possible.

<u>Error rates, management and control systems</u>

7. Can the Commission provide a table of the evolution of the error rate in the R&I for the 6FP, 7FP and H2020?

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

In 2014, expenditure under Horizon 2020 only concerned error-free pre-financing. Only a few Horizon 2020 cost claims were received in 2015. Horizon 2020 audits will only start in 2016. That means that at this point in time, there is not yet an error rate for Horizon 2020.

In the Financial Statement accompanying the Horizon 2020 proposal, the Commission estimated that around 35% of the errors identified in FP7 would be avoided by the simplifications in the draft legislation. A representative error rate in the range of 2-5% was expected, with a residual error rate close to, but not necessarily below, 2%.

As the European Court of Auditors points out in paragraph 5.13 of its report, some elements have been introduced during the legislative process that pose an increased risk to the regularity of transactions, such as a target for a greater participation of SMEs or limitations to additional remuneration. So the actual level of error in Horizon 2020 will only be known once a reasonable number of audits have been completed.

The Annual Activity Reports for RTD for the period 2010-2014 set out the error rates for FP6 and FP7.

It should be noted that error rates for research are best calculated on a multi-annual basis. This reflects the lifetime of the projects themselves (3-5 years) but also avoids the risk of a small number of big cases biasing the results in any one year. In addition, the objective of the research services is to manage the risk of error over the lifetime of the programme, taking into account corrections and recoveries.

In FP6, the overall error rate, based on over 2500 audits, was 4.89%. After all corrective actions and recoveries are taken into account, the so-called residual error rate was 2.46%.

For FP7, the overall error rate is currently 4.18%, and the residual error rate around 3%. The Director-General of DG RTD has consistently stated, in his Annual Activity Report, that the overall error rate will be around 5%, with a residual error rate of around 3%.

This is confirmed by the representative samples that have been examined between 2011 and 2014. The first representative sample had an error rate of 5.17%, the second is expected to finish in a similar range.

The error rates were similar for the other Commission Directorate-Generals involved in research funding. However, the European Research Council consistently had an error rate of below 2% for its expenditure, as did the Research Executive Agency for the Marie Sklodowska-Curie programme that it manages. Both of these programmes have a number of elements that lower the risks, e.g. mainly public sector participants, single beneficiaries and a widespread use of flat rate funding and unit costs.

8. Has the Commission succeeded in streamlining the FP7 processes without compromising the quality of spending for the 2014 exercise?

Commission's answer:

2014 saw important developments in the streamlining of processes for research Framework Programmes. This included particularly the introduction of a Common Support Centre, which provides services for all research services in the area of legal support, audit, business process, IT, and information and data. Participants of Horizon 2020 are now faced with just one IT system for all their interactions with the Commission research services. The internal processes for grant management are now harmonised across all implementing services and supported by a single internal electronic work flow system and a single repository of procedure documentation, binding for all services.

Although this mainly relates to Horizon 2020, common legal and audit services were already operating in 2014 in relation to FP7. This has ensured harmonised legal interpretations for beneficiaries, and a centralised audit process, which can ensure a consistent approach to audit and ensure that repeat visits to the same participant are avoided, which reduces the administrative burden on participants.

The most obvious success in 2014 was the general respect of the new target for the time taken to award grants, which has been set at 8 months (245 days) for Horizon 2020. Thanks to the streamlined processes and improved IT systems, 93% of grants were signed within the time limit, with an average of 205 days.

9. For 2014 the Director General of DG Research and Innovation has issued reservation concerning the rate of residual errors with regard to the accuracy of cost claims in the Seventh Framework Programme (FP7) grants. The Weighted Average Error Rate for the reporting year 2014 is 2,80%. For FP7 the error rate is 3%. In this regard:

- What kind of measures has the Commission undertaken for reducing the error rate for FP7?

Commission's answer:

The action plan to address the reservation for FP7 is set out on pages 110-111 of the Annual Activity Report of DG RTD. Firstly, it is noted that the legal framework for FP7 can no longer be modified as all contracts have been signed. Radical simplification to reduce errors (and to help achieve other policy objectives) has been introduced in Horizon 2020. The actions taken then for FP7 are:

- Improvements in ex-ante controls – the Commission services are constantly reviewing their ex-ante controls to see how they can be improved, especially in the light of findings from the Court;
- Guidance to beneficiaries and certifying auditors – communication actions

continue, including 'Coordinator days'. Improved guidance has been prepared for FP7, but the main improvements will come for Horizon 2020, where the participant portal already contains comprehensive guidance and clearer templates;

- Continued control and audit – ex-post audits will continue, including further audits of a representative sample of transactions in order to refine and update the representative error rate figures (see also question 7), and audits based on risk considerations. Recovery and corrective action will continue.

The Commission ensures a serious follow-up to recommendations from the European Court of Auditors, as shown in Annex 5.2 of the Court's report – all recommendations from 2011 and 2012 have been fully implemented or implemented in most respects.

- ➢ What is the assessment of the Commission about the effectiveness of "the radical simplification" (DG Research and Innovation AAR 2013) concerning the Horizon 2020 programme compared to FP7 having in mind that there is 2% error rate for Horizon 2020 operations in 2014?

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

There have so far been no audits of Horizon 2020 transactions, as there are very few cost claims available to audit. The Court of Auditors notes, however, that the funding rules for Horizon 2020 are simpler than those of FP7 (paragraph 5.12 of the Annual Report).

In its opinion on the Horizon 2020 rules (Opinion 6/2012), the Court considered that "the radically simplified cost-funding model will improve the reliability of the model, decrease the risk of irregularities in beneficiaries' cost claims [and] make project accounting less complex".

See question 7 for further details.

10. In the area "Competitiveness for growth and jobs" the Court estimated the most likely error rate at 5,6% (3% for the research family). Had the Commission and national authorities used all available information to correct errors, the error rate could have been 2,8% lower.

- ➢ Does the Commission think its own management and control systems are working well?

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

The Commission considers that its own management and control systems effectively manage the risk of error over the multi-annual period of the programmes implemented, and in the light of the different policy objectives to be achieved. Nevertheless, it regularly reviews its internal systems, and the Court's Annual Report is one important input into these reviews. The Commission ensures a serious follow-up to recommendations from the European Court of Auditors, as shown in Annex 5.2 of the Court's report – all recommendations from 2011 and 2012 have been fully implemented or implemented in most respects.

DG RTD has already issued new guidance to try to prevent such errors from occurring, and this is built into training courses for staff involved in grant management.

The management and control systems for the main spending programmes covered in this area have all been substantially re-designed for the 2014-2020 programmes, to try to reduce errors whilst better achieving the policy objectives sought.

- How does the Commission evaluate the work of independent auditors who certify cost claims? Has the situation improved?

Commission's answer:

Based on an examination of the results of its own audits, the Commission has shown that, on average, audit certificates reduce the error rate by 50% compared to uncertified claims. So while it is recognised that independent auditors do not identify every error, they remain an important tool to reduce the overall error rate.

The Commission considers that raising the awareness of independent auditors, and providing them with concrete guidance, better secures the quality of their work. In that context, the Commission has in 2014 and 2015 continued a communication campaign targeting beneficiaries and certifying auditors, based on a document setting out the 10 most common causes of error and the way to remedy them. These seminars have been attended by 3500 participants, including at least 300 certifying auditors. The Commission will continue these efforts in the context of providing guidance for Horizon 2020.

Feedback is also provided to certifying auditors who have made significant errors. In some cases, the underlying problem is the interpretation of complex rules. This should be resolved in Horizon 2020 with simpler rules and a more instructive audit programme. More comprehensive guidance and clearer templates have been, and are being, prepared. They are published on the Participant Portal.

- Is the cooperation with international organisations particularly error prone (box 5.1)?

Commission's answer:

In FP7, participants from third countries (i.e. not Member States or Associated Countries) account for around 6% of all participants; they receive just 1% of the funding. The participant referred to in Box 1 is from a third country with a very low rate of participation (66 participations in the whole of FP7). This lack of experience in the programme may give rise to more errors. The Commission will continue to provide guidance to all beneficiaries and will consider whether third country participants require additional guidance or monitoring.

- How is it possible that a cost declaration contains 90% ineligible costs (box 5.2)?

Commission's answer:

In most cases, audits make no, or only minor, adjustments. Unfortunately, in a small number of cases, the audits identify a high level of ineligible expenditure. In this case, the demonstration work that the participant committed to undertake was of a satisfactory standard, and was within the budget estimated at the beginning of the project. There was nothing in the cost claim or scientific reports that indicated a large level of error. The biggest part of the error related to the non-respect of the requirement to obtain good value for money when awarding sub-contracts, which could only be identified during the audit.

This case underlines the importance of an effective audit function, and of the performance of risk audits.

- Under HORIZON 2020 the Union is looking for greater participation of SMEs. How does the Commission counterbalance the inherent risk

Commission's answer:

The Commission has taken note of the desire of the European Parliament to see a greater participation of SMEs in Horizon 2020, as well as the resolution of the European Parliament on the discharge 2013 (paragraph 243):

> "Observes that first-time applicants, particularly SMEs, are with a largely unknown risk/error profile; calls on the Commission not to undermine the efforts made to encourage these participants to participate in the programmes, by systematically increasing the level of control or administrative burden on them."

Avoiding any risk arising from SME participation would mean either:

- restricting SME participation, which would damage the wider objectives of research policy including the creation of economic growth and jobs;

- or dramatically increasing the level of control on them, with a consequent increase in administrative burden.

The Commission expects the simplifications and comprehensive guidance introduced in Horizon 2020 to mitigate a part of increased risk of SME participation. But a part of the risk will remain, and cannot be avoided. This has been clearly set out in successive Annual Activity Reports of DG RTD.

11. Considering that 2014 will be one of the last years of the financial framework of commitments for the 7FP. How can the Commission explain such increase of error rate considering also that this is central management?

Commission's answer:

No more contracts will be signed for FP7, but this does not mean that FP7 is finished. Less than half of all FP7 projects granted are finalised and the research, and the payments arising from this research, will continue for several years.

The Court states (paragraph 5.9) that it has found the same type and range of errors that it has detected throughout the course of the Seventh Framework Programme. This coincides with the Commission's experience.

Throughout FP7, although some simplifications have been introduced, the basic legislation has remained the same. The different Commission services have undertaken around 2500 audits of FP7 expenditure over the whole period of the programme. These audits have not revealed any significant change in the error rate in 2014.

12. Among the most common errors in the implementation of FP7 projects are those related to calculation of staff costs. However DG Research and Innovation continues to imply policy where researches are paid differently for the same work depending solely on their country of origin thus affecting predominantly scientists from Central and Eastern Europe. This payment policy, which above all stimulates the brain-drain in Europe, is applied with minor adjustments in the framework of the Horizon 2020 programme. In this regard, what is the error rate in FP7 originating from the project staff costs restrictions imposed by the Commission?

Commission's answer:

Under both FP7 and Horizon 2020 rules, the Commission reimburses actual eligible costs incurred by participants. For staff costs, these eligible costs are the salary and allowances received by the researcher. This is the same principle for all Member States. The rates of salary and allowances are set by the participant, in accordance with national and institutional conditions and rules. In Horizon 2020, the rules on additional remuneration and bonuses have been clarified, but still within these basic eligibility rules. See also question 33.

The Commission does not impose any restrictions on salaries or allowances received by researchers in accordance with national and institutional rules, and so no errors can have arisen from this issue.

13. The main source of quantifiable errors remains the reimbursement of ineligible costs declared by beneficiaries in research and innovation. What action has the Commission taken to correct this kind of error?

Commission's answer:

The complexity of the FP7 rules has been recognised by the Court and the Commission. That is why radical simplification has been introduced for Horizon 2020.

The reimbursement of ineligible costs is an inherent risk existing in a grant expenditure scheme based on the reimbursement of eligible expenditure. It cannot be "corrected", only mitigated.

The Commission has been running a communication campaign to remind beneficiaries and their certifying auditors of the eligibility rules. The issue has also been addressed at the contracting stage, by ensuring that participants are made aware of the most common errors in cost claims.

For FP7, the Commission has prepared a note with a list of the ten most common financial errors detected in cost claims from FP7 beneficiaries. This note, titled "How to avoid common errors identified in cost claims" was communicated to all registered FP7 beneficiaries. The note addressed and summarised the most frequently recurring errors including some explanations and how to remedy them.

This note, and further guidance, is available at the Participant Portal. Participants may also address questions to a help desk.

The Commission considers that raising the awareness of independent certifying auditors, and providing them with concrete guidance, better secures the quality of their work. In that context, the Commission has in 2014 and 2015 continued a communication campaign targeting beneficiaries and certifying auditors. These seminars have been attended by 3500 participants, including at least 300 certifying auditors. The Commission will continue these efforts in the context of providing guidance for Horizon 2020.

The Commission regularly reviews its internal systems, and the Court's Annual Report is one important input into these reviews. However, the Commission does not wish to unnecessarily increase the administrative burden on participants.

However, the main tool to reduce the number of errors by beneficiaries is to simplify the eligibility criteria. Therefore, the issue is also addressed in Horizon 2020, which includes a number of simplifications that would reduce the inherent risk of error. This should also make the job of the auditors easier.

14. Following the recommendation of the European Parliament in 2009 that beneficiaries should be allowed to use their average cost methodologies. Has the Commission introduced in the 7th Framework Programme and H2020 rules in order to allow for calculation and charging of average hourly rates per cost centre which are compatible with general business practices? (Table)

Commission's answer:

Such rules have been introduced. Under FP7, and following the Recommendation of 2009 from the European Parliament, the Commission adopted, on 24/1/2011, a Decision on three measures for simplifying the implementation of the Framework Programmes.

One of these measures was the revision of the criteria for the acceptance of average personnel costs. The obligation to submit a Certified on Average Personnel Costs for approval as a prior condition for the eligibility of the average personnel costs was removed.

The new criteria adopted by this Commission Decision and established in Article II.14.1 of the FP7 Grant Agreement provide for the acceptance of the vast majority of average personnel cost methods used by beneficiaries as their usual cost accounting practice.

Under Horizon 2020, beneficiaries can declare their personnel costs, including average personnel costs, on the basis of their usual accounting practices.

15. Has the Commission followed in 2014 the Court's recommendation to concentrate the ex-ante checks on riskier beneficiaries, thereby introducing the beneficiary risk profile, based on results from the ex post controls and performance record? If so, could the Commission provide a detailed list or table of the type of risker beneficiaries profiles and the number of controls performed as well as the detailed methodology used for the ex-ante checks?

Commission's answer:

For ex-post audits, the selection of participants to be audited is already largely risk-driven. It is expected that 83% of the audits undertaken over the 2012-2016 period (basically FP7 audits) will be selected according to risk criteria.

For ex-ante controls, guidance on identifying risks has already been set out for staff dealing with these controls, and audit results are available to them. A more developed system is being put in place for Horizon 2020. This needs to be done in a way that will not unnecessarily burden participants.

The Commission ensures a serious follow-up to recommendations from the European Court of Auditors, as shown in Annex 5.2 of the Court's report – all recommendations from 2011 and 2012 have been fully implemented or implemented in most respects.

16. The Court of Auditors says that the complexity of the rules of the Seventh Framework Programme for research has increased the risk of errors: this is contrasting with the principles of simplification auspicated by the European Commission. The Commission intends, in the light of the results of the ECA report, to propose a real simplification of the rules?

Commission's answer:

The Commission agrees with the assessment of the Court of Auditors – the complexity of rules in FP7 increases the risk of errors. This was why a radical simplification was undertaken for Horizon 2020. The Court has recognised that Horizon 2020 does have simpler funding rules (paragraph 5.12 of the annual Report). It is to be noted that all expenditure audited by the court in 2014 related to FP7, not Horizon 2020. Audits of Horizon 2020 expenditure will not begin until 2016.

17. Can the Commission present a comprehensive list of the measures introduced to tackle the risk of error in the simplification measures together with an estimate of the risk of error and the financial and reputational risks associated?

Commission's answer:

The simplification measures implemented in Horizon 2020 had a number of objectives. Those that mainly addressed the risk of error were:

- Just two reimbursement rates, set out clearly in the call for proposals;

- A flat rate for indirect costs;

- Simpler rules on time-recording, and in particular the abolition of time-recording for researchers working full-time on a project;

- Clearer rules on productive hours, an important part of the calculation of staff costs;

- More flexibility for allowing sub-contracting or third party costs where this is necessary for the success of the project.

In the Financial Statement accompanying the Horizon 2020 proposal, the Commission estimated that around 35% of the errors identified in FP7 would be avoided by the simplifications in the draft legislation. A representative error rate in the range of 2-5% was expected, with a residual error rate close to, but not necessarily below, 2%.

However, as the European Court of Auditors points out in paragraph 5.13 of its report, some elements have been introduced during the legislative process that pose an increased risk to the regularity of transactions, such as a target for a greater participation of SMEs. So the actual level of error in Horizon 2020 will only be known when a reasonable number of audits have been completed.

18. What is the "Common audit service" (which is part of the Common Support Centre)? How is it staffed? What service does it provide to whom?

Commission's answer:

The Commission has always been committed to the harmonized implementation of the research Framework Programmes. In January 2014, the

Commission has established the Common Support Centre (CSC) for Horizon 2020 in order to guarantee the consistent application of a single set of rules and practices for all research DGs, Executive Agencies and Joint Undertakings (JUs) implementing Horizon 2020. The governance structure of the CSC ensures that decisions are binding on all Horizon 2020 implementing bodies.

Part of this Common Support Centre is the Common Audit Service (CAS), which is responsible for all ex-post audits under Horizon 2020 and for contributing to the assessment of the legality and regularity of project payments. The CAS guarantees the homogeneity of audit practices for the whole research family and ensures that a beneficiary will not be audited by different services. It will provide all services in the research family with the necessary elements of assurance on the research expenditure for which they are responsible.

The CAS is a service within DG RTD. It consists (at 24/11/2015) of 67 Commission staff. Audits may be carried out by CAS staff or by independent audit firms contracted to undertake audits on its behalf, and under its supervision.

19. Following the audit on implementation of FP7 control systems, in which way was the common anti-fraud strategy in the research family modified?

Commission's answer:

In response to the audit of FP7 control systems, the Common Research Anti-Fraud Strategy (RAFS) was further developed. The revised RAFS, approved by all services within the Research family, laid down a number of actions aiming at further addressing the following areas across the whole research family:

- Structures: The structures in place were adapted for Horizon 2020 and the creation of the Common Support Centre;
- Training: Common training material for the Research family was developed;
- Research misconduct: Different aspects of research misconduct will be addressed at the level of the Research family;
- Close support and advice: A network of advisors is being developed to support staff who may identify suspicions;
- KPIs for Anti-fraud activities: The number of KPIs will be extended to better reflect the activities carried out;
- Risk-based audits: The number of fraud-risk based audits will be increased.

20. Following audits undertaken by the Internal Audit Capacities

- In which way was the management of independent experts modified?

Commission's answer:

The following were the main actions taken following the audit:

- There is now full electronic management of experts. For expert evaluators, the system is run centrally for the whole research family after a thorough review of all parts of the system;
- Harmonised procedures for experts were established. An improved procedures manual has been developed;
- Gender balance, geographic and sectorial distribution, and rotation of experts are checked by the IT system as well as by staff;
- Time-to-pay statistics are closely monitored.

➢ How was the implementation of ex-post audit results adapted?

Commission's answer:

- The implementation for the audits of closed projects in DG RTD has been centralised. The status of the implementation is regularly reported. There is now no significant backlog;
- An analysis showed that operational services were properly implementing external audit results;
- The management of ex-post audit results will be integrated into the Horizon 2020 IT tools.

➢ How did the directorate general react to the audit on objectives, indicators and monitoring? Which measures were taken?

Commission's answer:

- The roles relating to the SPP cycle were clarified;
- The main policy, operational and horizontal objectives and indicators have been reviewed to ensure that they respect, as far as possible, "smart" criteria (for objectives) and "racer" criteria (for indicators) and that the data is reliable.
- The Horizon 2020 IT system has been updated to ensure that reliable information on patents will be gathered.

➢ Has a reporting and monitoring tool be developed for the follow-up of the FP7 grant closure?

Commission's answer:

- A new tool was not needed. Existing tools have been used to provide information that is now subject to close follow-up. So far, the FP7 grant closure follows the expected timeline.

21. What is the Commissioner's position with regard to the Commission decision to re-centralise the audit functions?

Commission's answer:

The Commissioner is satisfied with the new internal audit arrangements. These will provide the necessary coverage of key risk areas and adequate assurance for the Authorising Officer by Delegation. The new arrangements are working well.

The Commissioner is a member of the Audit Progress Committee, which is chaired by the first Vice President and closely follows all internal audit matters.

22. Does the Commission consider it sound financial management when the director general places a general reservation on expenditures under FP7? In this context it must be recalled that by the end of 2014 the Commission had audited reimbursed cost claims amounting to EUR 2 billion or 8% of the payments made.

Commission's answer:

The AAR of RTD for 2014 has aimed to respond to concerns about the reserve on FP7 expenditure, expressed in previous discharge resolutions and discussions.

Assurance is provided for the FP7 programme as a whole on the basis of a sample covering all programme components in a representative manner. This sample produces an error rate that exceeds the 2 percent threshold. That is why a reserve for the whole of DG RTD FP7 expenditure is made in accordance with the standard instructions.

However, this does not mean that there are no components of FP7 that, if taken separately as stand-alone parts, have an error rate lower than the 2 percent threshold and do not, therefore, require a reserve.

Examples are the European Research Council grants, Marie-Sklodowska-Curie actions and payments for the Research Fund for Coal and Steel.

There are good reasons why these schemes have a lower error rate. They have characteristics that make them less error-prone. European Research Council grants and Marie-Sklodowska-Curie Actions, for instance, only involve public sector participants, are mono-beneficiary, and include wider possibilities for flat rate payments and lump sum amounts.

However, these "simpler", or lower risk, measures can only address some of the many challenges that European Research faces. Addressing all the different challenges requires the creation of more complex measures – collaborative research with many partners, new participants and small and medium-sized enterprises, which inevitably come with a higher risk of error.

It should be underlined that the Director-General of DG RTD gives assurance on just over 97.5% of the expenditure of his service.

23. You said that the collaboration with researchers outside Europe is necessary to address global challenges and that these bodies are not used with EU eligibility rules. How do you ensure that the rules are respected?

Commission's answer:

In FP7, participants from third countries (i.e. not Member States or Associated Countries) account for around 6% of all participants; they receive just 1% of the funding. The participant referred to in Box 1 is from a third country with a very low rate of participation (66 participations in the whole of FP7). This lack of experience in the programme may give rise to more errors. The Commission will continue to provide guidance to all beneficiaries and will consider whether third country participants require additional guidance or monitoring.

24. What is the Commission doing to better implement reimbursement rules with non-European researchers and avoid errors?

Commission's answer:

Please refer to the answer to question 23.

25. Did the Commission still execute payments of the FP6 during 2014? If so, could the Commission provide a list of projects? Are there still pending to date any payments? Has the FP6 been closed? Can the Commission provide a table with the evolution of the error rate in the FP6 and FP7

Commission's answer:

The Commission executed payments of €28.3m for 49 FP6 projects in 2014.

The Commission expects to make total payments of around €10m for FP6 (around 30 projects) in 2015 and around €1.5m in 2016.

For error rates in FP6 and FP7, please refer to the answer to question 7.

Horizon 2020

26. The Commission agrees that an appropriate risk management and control strategy for Horizon 2020 needs to be put in place, especially in the context of the need to encourage still the SMEs and new entrants into the programme. What are the developments in this regard?

Commission's answer:

The principles of the risk management and control strategy are:

- Simplification for participants;

- Balancing the need for control with the demand to limit unnecessary administrative burden;

- Balancing the risk of error with the need to achieve policy objectives;

- Ensuring equal treatment of participants;

- Ensuring appropriate reporting on Horizon 2020 achievements;

These principles are especially important to ensure an attractive programme, which can encourage and enable SMEs and new entrants to participate. All these principles are built into business processes, IT systems, working procedures and reporting.

27. Could the Commission provide a detailed breakdown of the grants awarded in 2014 by Member State, Member State of the project coordinator, amount of grant received, as well as detailed statistic for the number of projects not awarded and their origin (Member State and of the project coordinator, amount requested etc.)? Could the Commission also provide a detailed evolution for the previous years and a comparison of the 7FP and H2020?

Commission's answer:

The details are attached.

The figures show that the average success rate of proposals in FP7 was 22%, with a range by Member State between 15% and 26%. For Horizon 2020, the average success rate was 14%, with a range by Member state between 10% and 17%.

28. Has the Commission introduced measures in the FP7 or Horizon 2020 to improve the regional dimension of R&I? Has the commission taken specific measures in 2014 in this sense, for instance by encouraging the efficient and effective participation all Member States in the projects?

Commission's answer:

Reflecting their focus on excellence, both FP7 and Horizon 2020 have always been open to applicants without regard to their location. However, the Commission recognises that there is a need to strengthen participation where research capacity may be underdeveloped.

Therefore, FP7 included two specific actions with a regional focus: Research Potential, which provided support to promising research entities in less developed regions to increase their capacity for excellence, and Regions of Knowledge, which supported regional research-driven clusters.

In Horizon 2020, a broader approach has been taken that addresses widening participation at every level and encourages synergies with the European Structural and Investment Funds (ESIF). A particular recent focus has been on the importance of SMEs in a regional context through the introduction of the Seal of Excellence.

Part IV of Horizon 2020 introduced a measure entitled "*Spreading Excellence and Widening Participation"*, with a budget of €816m. Its specific objective is "to fully exploit the potential of Europe's talent pool and to ensure that the benefits of an innovation-led economy are both maximised and widely distributed across the Union in accordance with the principle of excellence."

For the specific objective of Spreading Excellence and Widening Participation (that is for Teaming, Twinning and ERA Chairs actions), specific eligibility conditions apply to ensure a targeted approach towards Member States and Associated Countries with low performance in research and innovation.

The three key Widening instruments are:

– Teaming, which focuses on the creation of new or the updating of existing centres of excellence in less R&D performing Member States through a "teaming" process with an advanced institute. The proposal needs to be in line with the smart specialisation strategy of the Country/region of the coordinator, as matching funding will be requested, which will very likely come from the European Structural and Investment Funds.

– Twinning, which will aim for significantly strengthening a defined field of research in an emerging institution in a less R&D performing Member State by linking this institution with at least two internationally leading counterparts in Europe. Activities like short term staff exchanges, expert visits and short-term on-site or virtual training, workshops, conference attendance, dissemination and outreach will be supported.

– ERA Chairs, which will bring outstanding researchers to universities and other research institutions that have high potential for research excellence. From their side, institutions should mobilise support from different funding sources, including from the ESIF, to invest in facilities and infrastructures and commit to institutional change and broader support for innovation.

For 2014, the first Teaming and ERA Chairs calls took place and 31 and 14 projects were funded respectively, with a budget of €48m.

Synergies between Horizon 2020 and European Structural and Investment Funds (ESIF)

Although Horizon 2020 and the Structural Funds have different overall aims, the development of synergies can only improve the impact of each of them. Synergies are now expected to gain strength as the regulations for both funding instruments include new synergy-friendly provisions to facilitate this process.

For example, the eligibility rules of Horizon 2020 and Cohesion Policy have been brought closer and beneficiaries will 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. Significant support for Research and Innovation is included in the ESIF Partnerships Agreements and Operational Programmes of the Member States and regions; it amounts to more than € 42 billion for core R&I and € 118 billion for R&I in the broader sense (comprising R&I, ICT & SMEs).

A practical example of synergies at work is the Seal of Excellence, which was recently launched by Commissioner Moedas and Commissioner Creţu. Starting with the Horizon 2020 SME Instrument, the Seal of Excellence is a quality label awarded to projects that succeed in passing all of the stringent selection and award criteria but cannot be funded under the available Call budget. The Seal thus identifies promising project proposals that merit funding from alternative sources, both public or private, at national, regional, European or international level.

The Horizon 2020 'SME instrument' has been selected for the introduction of the 'Seal of Excellence' because of its relevance to regional and national funders, as the project proposals are mostly led by a single SME and address small-scale R&I actions close to the market with a clear territorial impact.

29. Considering the change in funding rates for Horizon 2020 in comparison to FP7, has the increased reimbursement of direct project costs (from 50% of direct costs to 125% of direct costs) had an impact on the overall budget share of industry participants? If the answer is yes: to which extent?

Commission's answer:

A straightforward comparison between FP7 and Horizon 2020 funding rates is not possible.

Under FP7, eligible direct costs were funded at a rate of 50%, 75% or 100%, depending on the type of work and the type of beneficiary. To this were added indirect costs – these could be funded at 50%, 75% or 100% of actual eligible indirect costs, or at a flat rate of 20% or 60% of the direct costs funded. This wide variety of funding rates and methods for charging indirect costs, together with the high level of error in the calculation of actual indirect costs, led the Commission to propose a major simplification in Horizon 2020 – for research, eligible direct costs are funded at a rate of 100%, and indirect costs are reimbursed at a flat rate of 25% of the funded direct costs.

Studies undertaken during the legislative process, based on FP7 data, showed that the funding rates for Horizon 2020 only led to a small increase in overall funding when compared to FP7.

Please make a distinction between SMEs and large industries.

a. What was the average budget share of industry participants in funding allocated per project under FP7 in comparison to the average budget share of industry participants in Horizon 2020 projects?

Commission's answer:

In FP7, private for-profit organisations accounted for about 30% of participations, with a budget share of 25%. SMEs accounted for 18% of the participations and 17% of the budget share.

In Horizon 2020, private for-profit organisations account for about 31% of participations, and around 28% of budget share. 23.31% of the financial contribution allocated under 'Societal Challenges' and 'LEITs' went to SMEs.

b. To which extent is such an increase related to an increase in the total costs of project activities carried out by industry within Horizon 2020 projects?

Commission's answer:

The funding model for Horizon 2020 applies equally to all participants. There is a small increase in the budget share of private for-profit participants. This may be related to the increase in the share of SMEs (particularly the expanded scheme specifically for SMEs). The overall budget share of industry participants will depend on a variety of factors. This will include funding rates, but also project size and number of participants, success rates, etc. It is not possible at this moment to separate the different factors.

c. If there is no increase in the overall budget share of industry participants, please explain how this is possible, despite the increase in the level of reimbursement of direct costs.

Commission's answer:

There is an increase.

d. Could you please provide us with data, which indicates how the flat-rate model is currently being implemented? Are there projects which receive too little or too much money due to the introduced funding model?

Commission's answer:

Studies undertaken during the legislative process, based on FP7 data, showed that the flat rate proposed for Horizon 2020 respected the no-profit rule and the co-financing principle. The flat rate set by the legislative authority respects all the requirements of the Financial Regulation. It is a considerable simplification for beneficiaries, and will lead to a reduced level of error.

The Commission has no right to re-assess the flat rate for individual beneficiaries, and has no intention of doing so.

30. The Commission argues in its reply to the Court Comments' on the annual report of the ECA (5.13) that the administrative capacity of the SME is limited and that administrative burden has been reduced accordingly with a consequence of a potential increase of risk. What is the Commission doing to reduce this risk and make it compatible with simpler administration? Which measures is the Commission putting in place to avoid an increase of error? Has the commission evaluated the financial consequences to the EU finances of a potential increase of error?

Commission's answer:

Please refer to the answers to questions 10 (fifth part), 17 and 26.

31. Under HORIZON 2020 a new scheme to transfer indirect into direct costs was introduced. How often is this scheme being used and what has its impact on the programme been? In this context, how does the Commission ensure that participants adhere to the co-financing principle enshrined in the Financial Regulation, considering that they can claim 125% of their direct costs after having transferred parts of their indirect costs into their direct costs? When answering, please provide concrete information on the following:

    a. Participants eligible to apply the guidelines on transferring indirect cost items into direct costs

    b. General eligibility criteria

    c. Number of participants, who have used these practices and to which extent

    d. Cases of participants with large infrastructures, who applied for certification under this scheme and weren't granted certification (If so, what prevented certification?)

    e. Number of universities, which have been certified for this scheme and extent to which they made use of the practice (total costs transferred)

    f. Number of companies certified for this scheme and extent to which they have made use of the practice (total costs transferred)

    g. Number of RTOs certified for this scheme and extent to which they made use of the practice (total costs transferred).

Commission's answer:

The question refers to the provisions of Article 6.2.D.4 of the Horizon 2020 Model Grant Agreement, known as the Large Research Infrastructure (LRI) scheme.

The scheme does not allow for a 'transfer of indirect costs to direct costs', and it does not finance the whole organisational cost of an entity. It gives, via an ex-ante assessment by the Commission services, upfront legal certainty about the part of the direct costs of large infrastructures that may be declared to the Commission. The co-financing principle remains therefore ensured.

a and b) Beneficiaries with LRI of a minimum total value of EUR 20 million and representing at least 75% of the total assets in the last closed Balance Sheet, may apply for an ex-ante assessment of their direct costing methodology in use. If there is a positive assessment, the entity is allowed the reimbursement of the direct costs according to the agreed methodology.

c to g) As of 13 November 2015, eleven valid requests have been received.

- Two of them (Research and Technology Organisations – RTOs) have been positively assessed. Seven more are being analysed;
- Two entities (one RTO and one Higher Education Establishment) do not qualify as they do not meet the qualifying criteria;
- Seven other requests are currently under analysis. One of them is in the industrial sector, one is a Higher Education Establishment, and five others are RTOs.
- No cost claims have been received so far from any of these entities, so the extent to which they make use of the practice is unknown.

32. Simplification of the HORIZON 2020 rules, while generally successful, has led to complications regarding internal cost allocation due to the fact that the annotated Model Grant Agreement (AGA, Art.6.2.D.3) requires a split-up of internal invoices according to costs categories and time records concerning service costs. Consequently, the common method for internal invoiced costs, which is to set an auditable price per usage, is no longer possible. Substantial actual direct costs for the usage of own facilities will no longer be eligible in EU projects and core infrastructures will most likely not be used for Horizon 2020 projects anymore. Is the Commission aware of this problem and how does it plan to address these? Does the Commission consider providing a possibility of reimbursement of cost packages without further splitting into different costs categories and without time recording for services for each project if these cost packages are auditable?

Commission's answer:

According to the Model Grant Agreement and its guidance, internal invoices may still be considered as eligible direct costs under certain circumstances. However, some internal invoices may not fulfil the definition of direct costs.

In such circumstances, the Horizon 2020 grant contributes to the remaining part via the 25% flat rate for indirect costs. As such, this does not imply an additional administrative burden for beneficiaries, who may decide not to implement any changes and to cover those costs with the funding provided via the flat rate for indirect costs. The 25% flat rate has simplified to a great extent the calculation and reporting of indirect costs. It has also provided beneficiaries with legal certainly with respect to the costs reported and should, therefore, result in fewer financial errors. Due to the fact that the flat rate is calculated on the basis of the direct costs, we must ensure that those direct costs are exempt from any indirect cost element. Otherwise, the Horizon 2020 grant would be contributing twice to the indirect costs: once through the indirect cost elements embedded in the direct costs and then again through the flat rate applied to those.

On the 25 September Commissioner Moedas launched a stakeholder consultation on additional simplifications that could be introduced in Horizon 2020. The Commission is aware that the issue raised in the question has also been raised in the context of this consultation.

The Commission will analyse all the survey replies and position papers received in response to the consultation.

33. With HORIZON 2020 a new payment of salary bonuses (additional remuneration) has been introduced to the programme in order to face the different payment practices in the Member States. Which problems have been brought to the attention of the Commission by Member States regarding the payment of salary bonuses in accordance with Article 26 of the Rules for Participation of HORIZON 2020?

Commission's answer:

The provisions on additional remuneration are comprehensively explained in the Horizon 2020 Annotated Grant Agreement (AGA) available in the Participant Portal. Those explanations are the result of a thorough analysis of the Horizon 2020 rules on personnel costs carried out by the Commission in close collaboration with Member State experts and the Legal and Financial National Contact Points (NCP). The annotations include, for instance, practical examples, detailed explanations and a decision tree aimed to help beneficiaries understand and implement the Horizon 2020 rules on additional remuneration.

Some Member States have pointed out potential difficulties to align their current national practices on bonus payments with the Horizon 2020 eligibility conditions for personnel costs. In this regard, the Commission has organised ad-hoc meetings with the Member State experts to discuss those difficulties and to provide assistance on the assessment of their national practices.

Moreover, the Commission, through the Common Support Centre, has already accepted requests from two National Contact Points to analyse some of their national practices on bonuses.

a. To which extent have reimbursements been claimed under Horizon 2020 so far for salary bonuses in accordance with Article 26?

Commission's answer:

Only a very small number of reimbursements have been claimed so far for Horizon 2020 projects. These are mostly related to the SME scheme, coordination and Support Actions and EURATOM, and so will not contain salary bonuses.

b. Which share of bonus payments has been claimed by participants in Member States that joined the Union after 2003?

Commission's answer:
Under certain conditions, additional remuneration may be claimed as part of the costs of personnel for staff working on a project. In cost claims to the Commission, this will not be declared separately from any other element of personnel costs. Therefore, the breakdown between Member States who joined the Union before and after 2003 will not be known.

c. Which share of bonus payments has been claimed by participants in Member States that joined the Union before 2003?

Commission's answer:
Please refer to the answer to point b

34. For HORIZON 2020, there remains a multiplicity of bodies implementing the spending. Indeed, the number of bodies involved in programme management for HORIZON 2020 has actually increased by comparison to the Seventh Research Framework Programme. How will the Commission ensure that its internal systems are adequate to avoid differences of treatment for beneficiaries?

Commission's answer:
In January 2014, the Commission established the Common Support Centre (CSC) for Horizon 2020 in order to guarantee the consistent application of a single set of rules and practices for all research DGs, Executive Agencies and Joint Undertakings (JUs) implementing Horizon 2020. The CSC provides services for all research services in the area of legal support, audit, business processes, IT and information and data. The governance structure of the CSC ensures that decisions are binding on all Horizon 2020 implementing bodies. Participants of Horizon 2020 are now faced with just one IT system for all their interactions with the Commission research services. Within the research family, processes are common and will be applied across the board. One example of the progress made is the Participant Portal, a single system for communications between the Commission and participants. The most obvious success in 2014 was the general respect of the new target for the time taken to award grants, which has been set at 8 months (245 days) for Horizon 2020. Thanks to the streamlined processes and improved IT systems, 93% of grants were signed within the time limit, with an average of 205 days.

35. The European Parliament succeeded in negotiating an 11.6% budget increase for EU's flagship programme H2020 in the 2016 EU budget.

Back in June 2015 there were indications of increased competition for funding from the EUR 80-billion programme. Strongest member states in terms of applications and success rate turn out to be the UK, Germany, France, Luxembourg, Spain and Italy.

I truly appreciate the fact that evaluations provide more feedback which already leads to increased resubmission of proposals. However, there are member states where Horizon 2020 and its various components lag far behind which compromises the effect of investment through the EU budget.

Will the Commission target the improvement of participation and success rates of poor performing member states? What are the specific measures the Commission might implement to improve the statistics? What are the measures the Commission recommends to be implemented by the poor performing member states in order to increase participation and success?

Commission's answer:

The recently published booklet with statistics describing the first 100 calls of Horizon 2020[1] provides details about the participation of entities from EU Member States and other countries in the programme.

It is recalled that Horizon 2020 appears to be very attractive in terms of proposals submitted. Oversubscription emerges as a result. In order to stem such oversubscription and to help interested researchers save time and money when preparing proposals, the Commission introduces tighter impact conditions in the topics for the calls for proposals under the Work Programmes 2016-2017, together with actions to improve the chances of success in the second stage of two-stage calls, e.g. by providing quick feedback to applicants after the first stage.

For specific measures taken to assist poor performing Member States please see the answer to question 28.

Financial engineering instruments (FEI)

36. DG Research and Innovation implements together with the EIB Group a new financial instrument - InnovFin, created in 2014. Payments to this instrument are indicated as indirect and it is explained in the DG R&I Annual Report 2014 that the notion of "error" is not relevant for implementation of financial instruments. In this context, how does the Commission control the correct implementation of the InnovFin by the EIB? Does it collect any information from the EIB Group in this regard?

Commission's answer:

The Commission (DG RTD) will ensure that the EIB group (EIB and EIF) complies with the obligations set down in Article 60 of the Financial Regulation, which sets out the rules for expenditure "indirectly" managed, as well as with the

1 https://ec.europa.eu/programmes/horizon2020/sites/horizon2020/files/horizon_2020_first_results_1.pdf

terms of the Delegation agreement signed between the Commission and the EIB Group for financial instruments under Horizon 2020.

For the INNOVFIN financial instruments, in accordance with Article 42 of Annex A of the Delegation Agreement, the EIB has drafted the Monitoring and Control Methodology and Verification Strategy. The document will shortly be endorsed by the Steering Committee for Horizon 2020 Debt Financial Instruments. This ensures the establishment of an efficient and effective internal control system for INNOVFIN.

The EIF is currently drafting its own Monitoring and Control Methodology, and Verification Strategy.

As well as regular reporting on both the financial and operational performance of the Fund, the EIB Group will have to submit to the Commission, by the 15th March of each year, a report on the implementation of the tasks entrusted to it and the accounts of the Fund, together with a Management declaration attesting to the completeness and accuracy of the accounts and the information and control systems underlying them.

The report, accounts and declaration will be subject to an external audit. The procedures for this audit will be agreed by the Commission.

Loans granted under INNOVFIN are not subject to eligibility criteria in the way that grants are. This is why there will not be an error rate in the normal sense. However, the annual Summary report on audit and controls will contain aggregated reporting on loans called in as they no longer respect the conditions of the loan. This is the equivalent of an error rate for a financial instrument.

ITER

37. In the 2013 Commission discharge report the European Parliament noted that (point 258) *"(...) project stakeholders (ITER) organisation and the domestic agencies – including Fusion for Europe) have recognised that the current schedule and budget is not realistic, as confirmed by several independent assessments in the last two years (2013-2014); requests to receive a copy of the revised schedule and budget which will be submitted to the ITER Council in June 2015; is concerned by the regular delays in the ITER programme which questions its efficiency and effectiveness; is deeply concerned by the overcosts, which have impacted upon the cost-effectiveness of the programme and put other Union programmes in jeopardy, mainly in the research policy area;"* An update of the situation can be found on page 95 f of the annual activity report of DG R&I:

➢ Can the Commission provide CONT with a copy of the action plan which was presented to the ITER Council early November?

Commission's answer:

At the last ITER Council meeting of 18-19 November 2015, the ITER Organization presented an in-depth working report to deliver a more realistic scenario for the completion of the construction of ITER.

The ITER Council welcomed the joint efforts made by the ITER Organization and the Domestic Agencies to deliver this report, and a new project culture fostered by the new management of the ITER Organization.

This report gives a preliminary view on the direction the project has to take to get back on track and to be successful. Nevertheless the EU and the ITER Council as a whole have considered that the IO assumptions underlying the proposed project's schedule cannot be considered to be fully realistic and that the associated IO costs appear excessive, in particular in relation to staffing requests. Further iterations are needed with the Domestic Agencies (in particular F4E) to ensure the reliability, stability and cost sustainability of the schedule proposal over the long term. The ITER Council, and in particular the EU, insisted on putting in place a sound process leading to a credible baseline to avoid, as in the past, an unrealistic schedule driven by the immaturity of designs and the political constraints of the other Parties.

For this reason, the ITER Council decided at this last meeting to carry out a high level independent assessment on the result of the work presented by the ITER Organization, covering both technical and resource matters. This assessment should be available before the ITER Council of June 2016, allowing the ITER Organization to present a new schedule up to First Plasma (when the construction of ITER should be completed and the operations could start) at the ITER Council of June 2016.

In order to monitor project performance and to allow the project to move forward in the meantime and without losing momentum, the ITER Council approved a working schedule for ITER for 2016 and 2017, together with a set of milestones that should allow the ITER Council to better monitor the timely implementation of the schedule over the next two years.

The ITER Council expects that the result of the assessment and of the implementation of the schedule for 2016 and 2017 will provide sufficient elements to the ITER Partners to assess the credibility and stability of the long term schedule, beyond 2017. Once this is confirmed, the ITER Council will be able to take a well-founded decision on a longer term schedule and the associated costs for the whole duration of the project.

Considering the forthcoming independent assessment and the monitoring of the project performance, the ITER Council considers that it would be very premature to publish any figures, either on the schedule or the cost. The reason is that the ITER Organization has to prove without any uncertainty that its performance has radically improved and that the project milestones can be achieved without further delays. Only when these conditions are met, together with the results of the assessment, the ITER Council will be able to reach an agreement on the additional resources needed.

Therefore, the Commission has the intention to keep its contribution to the project within the limits of the current Multiannual Financial Framework until 2020, respecting the capped European contribution for the construction phase of the ITER project, in line with what was agreed by the Council of Ministers of the EU in 2010.

➢ Can the Commission update about the budgetary means which will be put at ITER's disposal as of 2016?

Commission's answer:

The ITER Council has adopted the schedule and budget for 2016 and 2017 but has not revised the long-term schedule and budget for the whole duration of the ITER project (please see reply to the previous point).

The 2016 EU budget includes the following appropriations related to ITER:

EU budget line - Administrative	Heading	Commitment Appropriations (EUR)	Payment Appropriations (EUR)
32.010521	Expenditure related to officials and temporary staff implementing research and innovation programmes — ITER	7,181,658	7,181,658
32.010522	External personnel implementing research and innovation programmes — ITER	227,250	227,250
32.010523	Other management expenditure for research and innovation programmes — ITER	2,499,000	2,499,000
Total		**9,907,908**	**9,907,908**

EU budget line - Operational	Heading	Commitment Appropriations (EUR)	Payment Appropriations (EUR)
32.050101	Construction, operation and exploitation of the ITER facilities — European Joint Under-taking for ITER — Fusion for Energy (F4E) — Support expenditure	44,737,000	44,737,000
32.050102	Construction, operation and exploitation of the ITER facilities – European Joint Under-taking for ITER — Fusion for Energy	275,475,092	131,000,000
32.0551	Completion of European Joint Undertaking for ITER— Fusion for Energy (2007 to 2013)	p.m.	289,000,000
Total		**320,212,092**	**464,737,000**

The commitment appropriations from the EU budget related to ITER Fusion for Energy JU (F4E) for the period 2017-2020 as per the current Financial Programming (MFF until 2020) are as follows (EUR):

Year 2017 – 317,294,000
Year 2018 – 369,125,000
Year 2019 – 410,929,000
Year 2020 – 395,127,000

Trans-European Networks-Transport programme and the European Energy Programme for Recovery

38. For the Trans-European Networks-Transport programme and the European Energy Programme for Recovery, the Commission has included in its calculation the results of audits carried out by the Court, but with different error quantification. These matters lead to an understatement of the detected level of error and an overstatement of the effect of corrective actions on the amounts at risk. As a result, ECA consider that the relevant indicators published in the annual activity reports of DG ENER and the Innovation and Networks Executive Agency understate the risks to the regularity of transactions. Can the EC explain its prudent approach on this?

Commission's answer:

- EEPR (DG ENER):

DG ENER implements a specific audit strategy for the EEPR in which all beneficiaries will be audited with a high level of coverage of projects and expenditure. Under this approach, DG ENER takes account of the results of audits carried out by the Court, for the amounts for which it is in agreement with the Court's findings.

For this reason, there is no understatement of the error rates by DG ENER for EEPR. Besides, DG ENER's approach for EEPR's audit can be considered as extremely prudent thanks to the high audit coverage of the programme (currently at 85% of the projects having received EU contribution).

This high number of ex-post controls in the EEPR programme resulted in a residual error rate of 0.42% for 2014, well below the 2% quantitative materiality threshold and even lower than in 2013 (1.63%).

- TEN-T (managed by INEA):

INEA indeed does not take account of the results of audits carried out by the Court, which is in line with the Commission's instructions. In fact, TEN-T applies the *general* approach within the Commission: auditing a sample of transactions, and keeping that sample clean from any independent audits such as the ECA's. The *general* control approach requires DGs to have management assessment of the error rates, based on controls performed/outsourced by itself, and then to contrast those results with the available information from independent audits done by the Internal Audit Service and ECA.

In conclusion, the detected error rates for EEPR and TEN-T are not understated and the effect of corrective actions is not overstated. The overall amounts of risk for EEPR and TEN-T are drawn up in a prudent manner to ensure that there will be no material understatement of the risks to regularity.

Annual activity reports of DG MOVE and DG ENER

- Due to the different approaches used by DG MOVE and DG ENER, the assessments in the annual activity reports are not directly comparable. There is a need for coherence. What measures have been taken to achieve that?

Commission's answer:

Overall, DG ENER and DG MOVE followed the approach set in the AAR guidance, applying conservative criteria in accordance with their specific circumstances as needed.

For the calculation of the weighted average error rate and of the resulting overall amount at risk, DG MOVE and DG ENER used – as instructed by DG BUDG - detected error rates (or if not available, best estimates) for all activities except, due to a clerical error, for FP7, where the residual error rate of 3% was applied (instead of 5%). However, the impact on the average error rate is limited (for DG MOVE 0.06% or EUR 0.25 M and for DG ENER 0.41% or EUR 2.51 M).

Then, for the same calculation, but concerning the Nuclear Decommissioning Programme in DG ENER, the Court observed that estimated amounts as opposed to audit results were used. In this case, DG ENER opted for a prudent approach by using on purpose the estimated detected error rate of 0.5%, instead of the error rates from the last audit reports on the nuclear decommissioning programme carried out by DG ENER (issued in 2011 and 2013), which were below the estimate of 0.5%.

In conclusion, apart from the clerical error for FP7, there was no different approach used by DG ENER and DG MOVE. A particular attention will be paid in the AAR 2015 to make sure that such clerical mistakes are avoided.