

## 2014 Discharge to the Commission

### **ADDITIONAL WRITTEN QUESTIONS TO COMMISSIONER MOEDAS** Hearing on 3 December 2015

#### Performance related issues

Extracts of the FP7 evaluation show impressive figures and estimates that are also repeated in written answers provided to the CONT committee.

1. Could the Commission comment on how these estimates were made? Could the Commission also specify how often will be these estimations revised?

#### **Commission's answer:**

The sources of the different figures mentioned in the reply are as follows:

- The figures on **the effect of FP7 on growth and jobs and on the direct and indirect economic effects** come from the FP7 ex-post evaluation high-level expert group report and are based on estimates generated through the Nemesis macro-economic model, which is a widely recognised economic model strong in the modelling of R&D effects previously used by the OECD, the French Government and the Commission.
- The figures on **the extent of SME participation in FP7** come from the Commission's CORDA database, which is the common research data warehouse and the Framework Programmes' (FPs) central repository of data collected and/or derived during the course of FP implementations on applications and participations.
- The figures on **the impact of FP7 on SME employment growth and operating revenue** come from the FP7 ex-post evaluation high-level expert group report and are based on a dedicated evaluation study, namely Van Elk, K., Snijders, J., Prince, Y., Gibcus, P., Doove, S., Simmonds, P., Warta, K., Good, B., Ruhland, S., Sheikh, S. (2014), Performance of SMEs within FP7. An Interim Evaluation of FP7 components.
- The figures on **'Cooperation' Specific Programme projects in the area of energy and environment and social issues** come from the aforementioned CORDA database.
- The figures on **the contribution of FP7 funding to sustainable development** come from a dedicated evaluation study, namely 'Framework Programme for Sustainable Development' (FP4SD), carried out by Vienna University.
- The figures on the **Joint Technology Initiatives** have been gathered by the high-level experts carrying out the FP7 ex-post evaluation.

- The figures on the **Risk-sharing finance facility** have been taken from the RSFF accounts.
- The figures on **patents** are taken from SESAM, which is the Commission database containing all final project research performance and impact reports.

The Commission will continue to report on FP7 outputs, results and impacts, which means that the aforementioned figures will be updated at appropriate times.

2. What lessons does the Commissioner draw from the FP7 evaluation report?

**Commission's answer:**

The Commission is currently analysing the High Level Expert Group report. It will need to consider the results alongside other evaluations and studies that have been carried out covering the FP7 period. Commissioner Moedas will present the findings, including the lessons learnt, to the European Parliament and other institutions early in the new Year by means of a Commission Communication.

3. Can the Commissioner give the committee "a glimpse" at the "State of the Innovative Union 2015 Report" which will be published this month?

**Commission's answer:**

Five years after the launch of the Innovation Union, the State of the Innovation Union 2015 takes stock of the progress achieved under each of the 34 specific commitments for action made in the Innovation Union and shows that substantial results have been achieved.

The Innovation Union succeeded in building momentum around innovation, mobilising stakeholders and mainstreaming innovation in key European, national and regional policies. Decisive actions have been taken on all commitments, but the response has been uneven throughout the Member States. Moreover, while the last steps towards full implementation are within reach, it is not certain that all legislative actions will be implemented or that they will deliver the intended impact (e.g. the Unitary Patent and the revised Public Procurement Directives). The commitments that require greater involvement of Member States appear to have progressed to a lesser extent, either because of the long legislative processes (e.g. directives' ratification), or because they are less binding in nature.

Achievements under the main priorities are:

**Strengthening the knowledge base and reducing fragmentation**

The main achievements under this priority are the implementation of the European Research Area (ERA) and the launch of Horizon 2020, the new research and innovation framework programme, streamlining funding and encouraging cross

border collaboration.

### **Getting good ideas to market**

The key achievements in this area concern easing access to finance and leveraging the engagement of industry and business including through the creation of reinforced debt and equity facilities and the European venture capital passport. These are complemented by Horizon 2020's specific section on access to risk finance, which has a budget of EUR 2.8 billion to be implemented through 'InnovFin – EU finance for innovators'. Moreover, so far, 34 European Venture Capital Funds have been established.

### **Maximising social and territorial cohesion**

The key achievements in this area include the deployment of strategies and tools which promote convergence across European regions in terms of innovation performance. The European Structural Investment Funds will contribute EUR 118 Billion to smart growth on the basis of the submission of a Smart Specialisation Strategy.

Social and public sector innovation have gained significant political attention. New actors have been engaged in various actions to raise awareness about the potential for innovation-based growth across European regions, including the civil society and the public and private sectors, paving the way for a more inclusive economy. The latest edition of the European Social Innovation Competition has attracted more than 1400 applications from all over Europe, confirming the success of the initiative.

### **Pooling forces to achieve breakthroughs: European Innovation Partnerships**

Five European Innovation Partnerships (EIPs) were launched in key areas of active and healthy ageing, water, agricultural productivity, raw materials and smart cities. The main achievements of the EIPs include the engagement of a wide range of partners across the demand and supply side, the launch of real-scale demonstrations, a collection of good practices, tools for their replication and compilations of evidence on the impact of integrated services. Nevertheless, further progress needs to be made in fast-tracking regulations, standardisation and the use of public procurement.

### **Leveraging our policies externally**

A strategic planning of priorities for future cooperation has been developed through roadmaps for international cooperation. Europe also offers excellent study and work opportunities to third countries' nationals, who can in return enrich our continent's research and innovation system with new ideas and perspectives. One of the key achievements in this respect is the Scientific Visa.

### **Making it happen**

Key achievements in this area include measures to support Member States in implementing national reforms in the areas of research and innovation, such as the Self-assessment tools. The work done under the country review pilots and mutual learning seminars led to the launch of the Policy Support Facility in March 2015. Country-specific recommendations in the area of R&I are also given in the context of the European Semester.

In order to monitor and benchmark innovation performance across Europe and between Europe and its main international partners, monitoring tools like the Innovation Union Scoreboard, the Regional Innovation Scoreboard and the Innovation Output Indicator were put in place and are regularly published.

The report will be published soon on the Innovation Union intranet site

[http://ec.europa.eu/research/innovation-union/index\\_en.cfm?pg=home](http://ec.europa.eu/research/innovation-union/index_en.cfm?pg=home)

4. Does the Commissioner believe that the 2014 evaluation report (Art 318 TFEU) accurately reflects DG R&I's contribution?

**Commission's answer:**

DG RTD made a positive and active contribution to the 2014 evaluation report, and the most important elements relating to research and innovation were taken into account in the final report. There was also an attempt to harmonise and streamline the information available in the AAR and in the evaluation report.

DG RTD is continuously looking to improve reporting on performance at all levels, to demonstrate its own contribution to overall objectives, but also the contribution of research and innovation to the overall aim of creating jobs and growth.

The Commission mentioned that the inputs provided by DG Research & Innovation were used in the context of two different types of country specific recommendations (CSR): 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 will the Commission render the reporting on CSR in the AAR of DG R&I more transparent, comprehensive and detailed?

**Commission's answer:**

It is in the European Semester's Country Reports issued by the Commission each

year in February<sup>1</sup> that the implementation of the CSR is comprehensively monitored and assessed. It is also in those documents that the analytical base for the upcoming round of CSR is established.

The Annual Activity Report of DG RTD is not meant for a comprehensive and detailed reporting on CSRs. In line with the purposes of the AAR, it is a management report of the DG to the College of Commissioners. However, DG RTD will ensure that the AAR gives an account of the progress towards the achievement of key policy objectives and core activities of the DG, including CSRs, together with a reference to the appropriate Semester documents.

It seems likely that the European Union will miss its target to invest 3% of the EU GDP in research by 2020.

6. Could the Commission be more specific on the milestones set to implement this 3% target?

**Commission's answer:**

The achievement of the 3% R&D intensity target in the Europe 2020 Strategy is chiefly the responsibility of the Member States, with the Commission playing a role as catalyst and facilitator. Each Member State sets its own, national R&D intensity target for 2020 and intervening overall milestones if it deems appropriate. The progress made so far reflects largely the Member States' situation and level of ambition as well as wider economic and social factors.

The Commission has not set any formal milestones to implement the 3% target. However, it assesses each year, in the framework of the European Semester, the progress made, overall and by Member State, together with an identification of the policy bottlenecks to be overcome and an assessment of the appropriateness of the policies put in place by the Member State to this end. This assessment of the reforms of national research and innovation systems that need to be undertaken by each Member State can lead to Country Specific Recommendations.

The Commission also tries to foster, at EU level, an environment that is positive for R&I investments – a concrete example in 2014 was the new, more flexible rules, on state aid in support of research, development and innovation. In addition, the Commission has put in place the Horizon 2020 Policy Support Facility as a tool to provide support to Member States in the design, implementation and evaluation of policy reforms, contributing to increased quality of R&D and innovation spending.

7. How can the Commission assist Member States whose research spending show a downward trend: Croatia, Luxembourg, Portugal, Romania, Spain and the UK?

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<sup>1</sup> [http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index\\_en.htm](http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm)

**Commission's answer:**

The research and innovation situation of these six Member States is very different, and the appropriate policy responses to their decreasing R&D intensities depend on the specificities of the national research and innovation and the broader socio-economic landscape of these countries.

The Commission assists Member States in the design, implementation and evaluation of their research and innovation policies through high-level expert advice in the framework of the Horizon 2020 Policy Support Facility (PSF). The PSF is a demand-driven instrument. It aims to exploit comprehensively the evidence-base and best policy practices to support Member States Research and Innovation reform processes through a broad range of services attuned to their specific needs.

For instance, Peer Reviews of national Research and Innovation systems are in-depth assessments of a country's research and innovation system carried out by a panel of experts (consisting of both independent experts and peer experts, i.e. officials from other Member States and/or countries associated to Horizon 2020). They lead to operational recommendations to the national authorities on the reforms necessary to strengthen their national research and innovation system (a peer-review of Spain was carried out in 2014).

Mutual learning exercises on specific research and innovation topics are an additional service provided by the PSF and aim at promoting demand-oriented mutual learning between volunteering countries. These countries will together form a project and explore together specific policy challenges in detail. A mutual learning exercise on policies to stimulate business Research and Innovation investment was conducted in 2015. Croatia, Portugal and Spain will participate in 2016 in mutual learning projects in a second stage of that exercise, addressing specific aspects related to public support to business Research and Development investments - either direct support (grants) or indirect (for example Research and development tax incentives).

In addition, as was detailed in the response to question 28 in the earlier round of questions, Part IV of Horizon 2020, *Spreading Excellence and Widening Participation* was introduced with the specific objective "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."

The Member States and Associated Countries listed in the response to the earlier question 28 can benefit from support from the Widening actions – Teaming, Twinning and ERA Chairs – in order to develop their Research and Innovation capacity. This can in time encourage greater participation in Horizon 2020 that can boost their research spending.

8. How do you evaluate the performance-based approach tested on the Europe 2020 Strategy indicators within the ECA 2014 Annual Report? What are the main lessons of that for you? Do you consider this kind of implementation of the performance-based approach as sufficient? What are your proposals for a more representative coverage of that?

**Commission's answer:**

DG RTD agrees that the performance-based approach should receive increasing emphasis, and that error rates need to be seen in the light of policy objectives and performance. Chapter 3 of the European Court of Auditor's annual report (Getting results from the EU budget) is a positive development to that end. The ECA has already informed DG RTD that its contribution to the Europe 2020 objectives will be covered in the 2015 Annual Report.

However, it is primarily for the Commission to develop the framework for performance evaluation and reporting, and important initiatives are underway to this end. The Horizon 2020 legislation already includes a series of indicators that will be monitored over time. The Annual Management Plan and Annual Activity Report will increasingly cover performance aspects.

The Commission is involved in a major initiative on creating an EU budget focussed on results, for which work is continuing internally. However, effective implementation of a budget for results requires the different institutions to work together.

9. How do you evaluate the synergies between RaDaI projects support between 1a. and 1b. Headings?

**Commission's answer:**

As was detailed in the response to question 28 in the earlier round of questions, the Commission's services have worked to promote synergies between FP7/Horizon 2020 (heading 1a) and the European Structural and Investment Funds (heading 1b) notably through the detailed 'Guide on Synergies'.

In terms of the evaluation of synergies, the Interim and Final Evaluations of FP7 have examined and emphasised the importance of the issue and this will continue in the evaluations of Horizon 2020.

The ESIF Partnerships Agreements and Operational Programmes of the Member States and regions include provisions to facilitate synergies that will be monitored in the ongoing implementation of the programmes.

Error rates and also the management and control systems (MCS)

10. What is your explanation for a higher than average error rate in portfolio within the 1a. Heading?

**Commission's answer:**

Regarding the level of the error rate in chapter 5 of the Court of Auditor's Annual Report (based on the ECAs MUs sample covering e.g. research, education, space, transport, energy expenditure) it should first be noted that EU spending in this domain is based mainly on the reimbursement of actual costs to recipients.

As the Court points out in point 1.20. of its report such EU spending inherently is more prone to errors than spending based on entitlements such as the area-based subsidies paid to farmers.

As regards more specifically the EU spending under FP7, the Court of Auditors recalls in points 5.4 and 5.11. that the persistent material level of error in research and innovation spending reflects risks inherent in the design and implementation of FP7 with complex eligibility rules (personnel costs, indirect costs), multiple funding rates and multiple partners and types of beneficiaries. For this reasons substantive simplifications addressing these issues have been introduced in Horizon 2020.

These are the main reasons why the Court considers EU spending for Research and Innovation as particularly error prone.

As to the question whether there are important annual fluctuation of the average error rate for FP7 over the years and whether in 2014 a substantial increase of the error rate for research and innovation has occurred, the Court notes in point 5.9 of its annual report that it found the same type and range of errors which have been detected throughout the course of FP7.

This concurs with the findings of the Commission services based on robust evidence consisting of ex-post evidence of two large-scale representative samples of FP7 transactions (160 transactions each time) drawn throughout the programme according to which the representative error rate under FP7 is stable at around 5% and the residual error rate is around 3%.

In the hearing of the CONT on the 3<sup>rd</sup> of December, the Member of the Court of Auditors, Mr. Brenninkmeijer stated that the error rate can be subject to fluctuation on an annual basis as the error rate for Heading 1a in 2014 was substantially influenced by six errors concerning comparatively small amounts but with high impact. Just as an example: the error identified in JRC in the context of a public procurement procedure of €45 000 accounted by itself for around 0,7% of the overall error rate of 5,6%.

11. The Commission indicated that error rates for research are best calculated on a multi-annual basis due to the length of the projects (3-5 years) and to avoid biased analysis. In what respect do research projects differ from other EU-funded annually-controlled projects when it comes to analysing the error rate?

**Commission's answer:**

As regards the calculation of the level of the error rate, the Commission considers that for all policy areas, including research and innovation, a multiannual approach should be pursued. This takes into account the multi-annuality of the MFF programming cycle, the duration of the projects funded and the corrective capacity of the control system (e.g. corrections and recoveries in subsequent years) and smoothens out possible annual fluctuations.

12. Could the Commission elaborate on the way projects are conceived and implemented so as to explain why some non-representative error cases for multiannual projects could appear in a single year? Why did this happen during 2014?

**Commission's answer:**

The Commission does not see a link between the way projects are conceived and implemented and the representativeness or non-representativeness of the error rate.

The error rate established by the Court for the whole chapter 5 (not only for research and innovation) is based on an annual representative sample of a specific size – for research this is 90 transactions with a total audited amount of €21 million, out of €8.1 billion spent. Under such a methodology, individual cases with high error rates, even if they concern only small amounts, can increase the error rate substantially. (See also reply to question 10 and 11).

13. The Commission recognises on point 5.8 of the Annual Report of the Court of Auditors that independent external audit certification is a well-known issue. Can the Commission provide detailed information on the actions and strategy to reduce the level of error rate they manage to identify (50%)? Could the Commission provide figures on the evolution of this rate in the last years? Could the Commission provide figures of recoveries by nationality for the FP6 and FP7? Has the rate improved as a result of the actions put in place?

**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 findings were based on audit results up to June 2012. As this was already a large sample the exercise has not yet been repeated.

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.

Simpler rules and a more instructive work programme have been introduced in Horizon 2020. More comprehensive guidance and clearer templates have been, and are being, prepared. They are and they will be published on the Participant Portal.

With respect to recoveries please see question 26 and 27. As research programmes do not operate on a Member State basis there are no error rates or recovery figures by nationality.

14. The Commission mentions on reply 5.8 that they have organised seminars and other actions to raise awareness targeted to external auditors? Can the Commission provide information of the amount that these measures represent? Does the Commission believe these measures are sufficient to reduce the level of error rate identified by the external auditors or not identified by the external auditors? Has the Commission established objectives as regards the level of error rate external auditors are able to identify?

**Commission's answer:**

In 2015, in the context of the Horizon 2020 communication campaign, events have been organized jointly by the Common Legal Support Service and the Common Audit Service in 16 different Member States, for more than 2.000 participants in total (an average of approximately 130 participants per event). Out of those 2.000, approximately 1.800 come from organisations which benefit - or could potentially benefit – from the Research Programmes. The audience was mainly composed of representatives of educational bodies (45%) and RTOs (26%). Auditors attended the presentations as well (around 3%).

In the same year, the CAS also intervened in 8 other events where more than 390 participants were present, replying to questions related to both FP7 & Horizon 2020 framework programmes. These communication efforts will continue.

The Commission has found that the error rate is on average 50% lower where this an audit certificate. This shows the usefulness of audit certificates, even if it is not fully satisfactory. The aim should be to find few errors where there is an audit certificate. To achieve this a simplification of the rules, as introduced in Horizon 2020, as well as better checklists and guidance, are crucial.

All information is also available on-line, on the Commission's internet sites and on the Participant Portal.

15. The simplification of procedures for Horizon2020 might improve the reduction rate of error; still, a significant amount of error is not detected by them. Does the Commission intend to launch initiatives, other than the seminars, so as to tackle this issue?

**Commission's answer:**

Please refer to questions 13 (for certifying auditors) and 29 (for simplification measures in Horizon 2020).

16. In response to answer 13, can the Commission be more specific why the errors in ineligible costs cannot be corrected?

**Commission's answer:**

The answer to question 13 of the first questionnaire referred to the avoidance of errors in claims not subject to audit.

Firstly, all errors identified are corrected.

In FP7 there are over 30000 beneficiaries and over 100000 participations in over 20000 projects. In any one of these participations the beneficiary may declare ineligible expenditure. However, the Commission (from its own audits) also knows that, on average, around 95% of expenditure is declared in accordance with the rules and that, after correction and recovery action, this figure rises to around 97%. Fully correcting the remaining 3% of ineligible expenditure before the costs are reimbursed would mean that all 100 000 participations would have to be checked in-depth before costs are reimbursed.

In order to limit the administrative burden and to facilitate the timely implementation of projects as requested by the beneficiaries and the legislative authorities, the Commission seeks to obtain assurance in particular through audits of reimbursed costs (see point 5.18. of the Annual Report of the Court of Auditors).

The Commission has published a document setting out the 10 most common causes of error and the way to remedy them.

17. Could you briefly summarise the document for the committee?

**Commission's answer:**

The document is available on the Participant Portal and has been sent at several occasions to all beneficiaries and coordinators. It highlights the general principles or cost categories subject to recurrent errors and gives a short, readable explanation of the error and how to avoid it. It will be sent again to all FP 7 participants to mark an error free year 2016.

Of the 10 errors identified, two (relating to indirect costs) will no longer occur in Horizon 2020. Four others have been subject to significant simplification in Horizon 2020 to help avoid errors (VAT, productive hours, time recording and third parties and sub-contracting). Two others were already simplified during the course of FP7 (payments to SME owner managers and declaration of average personnel costs).

The Commission has established a Common Audit Service (CAS) as part of the Common Support Centre (CSC).

18. How do these "service centres" work in practice? Could you illustrate their functioning by examples?

**Commission's answer:**

The Common Support Centre (CSC) was set up to serve Horizon 2020 and started operations in January 2014. It aims to ensure that all beneficiaries receive the same treatment, and that the single set of rules for participation and dissemination in Horizon 2020 is applied uniformly across all components of the FP and that these rules are consistently interpreted for all instruments and implementing bodies.

The CSC provides services for Horizon 2020 in legal support, ex-post audit, IT systems and operations, business processes, programme information and data to all research DGs, executive agencies and joint undertakings (JUs) implementing Horizon 2020. Though the main mission of the CSC is to serve Horizon 2020, some services are also provided for FP7, e.g. legal and audit services.

The CSC is overseen by a Steering Board made up of all the Directors-General with authorising officer responsibility for Horizon 2020, as well as representatives from the Commission's central departments. The Board's main role is to steer the CSC's activities and to decide on key strategic matters relating to Horizon 2020 implementation. An Executive Committee comprising directors from DGs, Executive Agencies and Joint Undertakings, ensures that CSC's activities are implemented in line with the Steering Board's decisions and the implementing bodies' needs. The operating rules of the CSC<sup>2</sup> describe the governance, the responsibilities of the various parties involved, the missions and tasks of each service as well as other relevant issues, related to staff, administrative services, budget and internal audit.

In practice, for Horizon 2020, services are provided for all research DGs, executive agencies and joint undertakings (JUs). For example the Common Legal Service provides support and advice to legal requests for both FP7 and Horizon 2020. The Common Audit Service will be, in Horizon 2020, the unique service for the research family, delivering audit results to all Authorising Officers managing Horizon 2020. For FP7 the audit service delivers audits to the Research DGs only. The Business Processes service defines common processes for the management of Horizon 2020 and the IT service provides the common IT tools based on these business specifications.

The Commission took the decision to re-centralise the audit function and the DG R&I seems satisfied with the new - or rather old - arrangement.

19. Why was this step deemed necessary? Decentralised audit capacities were initially considered to be closer to the management and therefore more effective.

**Commission's answer:**

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<sup>2</sup> C(2014) 2656 final

The Commission is uncertain whether this question refers to internal audit services or external audit services. The reply therefore covers the two possibilities.

**With respect to internal audit services**

The Commission undertook major reform of its financial management structures from 2002. At that point decentralised internal audit capabilities (IACs) were considered an asset to Directorates-General, being able to provide audit and advice services with proximity to the DGs. Today financial and risk management systems are much more mature and the proximity is less critical.

In addition, it is increasingly important for the internal audit function to look beyond the boundaries of one DG, and this is much more effective in a centralised structure. This is especially important in the research area, where the same system should be applied by a multitude of different services.

Also, ensuring recruitment, retention and training of qualified audit staff in small, decentralised audit capacities was a challenge. A centralised Internal Audit Service can better ensure continuity and professional skills and due to a strong quality assurance function guarantees high quality audit reports.

Finally, the centralised IAS is fully independent, which is another guarantee for good quality audits. This is evidenced by a clean bill of health given to the IAS by an external quality assessor. The same external quality assessor pointed to a lack of sufficient independent oversight of the IACs and a perceived risk to their independence.

The central Internal Audit Service is striving to cover all areas that are considered to be exposed to significant risks for the individual DGs, therefore providing assurance in those areas that matter most. In addition, the IAS will also provide the Directors-General with the same type of assurance report, to feed into the Annual Activity Reports (AARs), as IACs used to do (for the first time in February 2016 covering the year 2015).

Commissioner Moedas is a member of the Audit Progress Committee, which is chaired by the First Vice President and closely follows all internal audit matters and, in particular, is a guarantor of the independence of the IAS.

**With respect to external audit services**

The creation of the Common Audit Service, which will carry out all audits for Horizon 2020, has the following benefits:

- As far as audit planning is concerned, the main advantage is the reduction of the number of audits per beneficiary, and so a lower administrative burden. It also allows to better address risks across the overall expenditure (and not necessarily the specific risks of a single service).

- As far as audit examination is concerned, the main advantage is the introduction of a centralised quality control function. This will ensure a more harmonised interpretation of audit findings including their extension.
- there will be efficiency gains, through the rationalisation of back-office functions and managerial posts and the disappearance of coordination fora
- Finally, the CAS offers a greater concentration of skills to increase the level of assurance given.

20. How are audit tasks divided between the Common Audit Service and external auditors?

**Commission's answer:**

The Common audit Service (CAS) is responsible, since 2014, for all FP7 audits for the Commission's DGs, and will be responsible for all Horizon 2020 audits for the whole research family.

To achieve the level of audit coverage required to give the required level of assurance to the services in an efficient manner, audits may be carried out by auditors of the CAS (Commission staff) or be contracted to external auditors. To this end the CAS has a framework contract with three external audit firms.

In overall terms there is no difference between audits carried out by staff and by external auditors. The audit programme is the same, the reporting template is the same, and the final results are communicated in the same way by the Commission.

In practical terms the audits are divided between the CAS auditors and external auditors taking into account the multi-annual targets set as part of the audit work programme, the internal resources available, continuity, language skills, etc.

In fact the majority of the audits are outsourced to external auditors. For Horizon 2020 it is expected that 75% of audits will be carried out by external auditors. The CAS ensures the quality control of these audits to ensure that they meet the Commission's standards and, at the end of the audit process, takes full responsibility for the results communicated to the beneficiary.

NOTE: the "external auditors" referred to here are external auditors contracted by the Commission to assist in achieving the Commission's programme of audits. They are unrelated to auditors providing certificates referred to in questions 13 and 14 above. Auditors providing certificates do not work for the Commission.

21. Could the Commission provide the number of audits and the amount of audited funds for the 6FP and the 7FP? Could the Commission provide the percentage to

which this amount accounts out of the total funds? Could the Commission provide for an estimate of the cost of the auditing?

**Commission's answer:**

**FP7** as of 30/06/2015: audits covering €1.9 billion of costs claimed have been closed. The total auditable population is € 27.382.236.966, representing a direct coverage of 6.9 %. The audit campaign for FP7 is still underway.

**FP6** as of 30/06/2015: audits covering €2 billion of costs claimed have been closed. The total auditable population is €19 billion representing a direct coverage of 10.5 %.

In the DG RTD AAR 2014, the cost of audits has been assessed as follows:

<b>Estimation of the annual costs of ex-post audit</b>		
<b>In €</b>	<b>2014</b>	<b>2013</b>
Direct costs (internal & external)	7.530.100	7.127.881
Average cost per audit completed in 2014	21.826	23.294
Total costs of the audit function	9.781.600	9.592.881
Average total costs of an audit	28.352	31.349

22. Could the Commission elaborate the steps taken to improve communication to eliminate beneficiaries' misunderstandings on what an eligible cost is, especially how to calculate personnel costs correctly?

**Commission's answer:**

The Guide to Financial Issues for FP7 explaining the rules of eligibility including personnel costs is available to all beneficiaries on the Participant Portal. It has been improved throughout the programme implementation to eliminate misunderstandings, especially on the calculation of personnel costs.

The Commission services do have regular meeting with the National Contact Points and in these meetings issues related to the eligibility of costs including personal costs are regularly dealt with.

Moreover, 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. These efforts continue - for example coordinators days are regularly held to provide feedback and guidance.

At the end of 2011 the Commission did decide on some simplifications, two of

which affected personnel costs:

- it allowed SME owner-managers to claim costs in accordance with Marie-Curie rates;

- it simplified the rules for the declaration of average personnel costs.

Finally the simplifications that have been introduced in Horizon 2020, especially with respect to productive hours, a common source of error and of great complexity in FP7, should eliminate such misunderstandings.

The director general of DG R&I stated in his AAR: "DG RTD is also concerned about the obligation to make a reserve covering all of its directly managed FP7 expenditure, when in fact it can give full assurance over 97% of this expenditure. This gives a misleading impression about the overall standard of financial management in the DG".

23. Parliament has repeatedly pointed to the fact that it does not consider placing a general reservation on directly managed FP7 expenditure worth EUR 1,9 billion sound financial management. What will the Commission do about this?

**Commission's answer:**

DG RTD is aware of the presentational difficulties that arise from a reserve covering the whole expenditure under FP7 in 2014, whereas full assurance can be given for over 97% of its expenditure. As the DG reported, this can give a misleading impression about the overall standard of financial management in the DG.

In this respect it should first be noted that DG RTD follows the Standing Instructions issued by the Commission when preparing its Annual Activity Report. These take account of recommendations from the European Court of Auditors. In this respect, the Court finds, in paragraph 5.25 of its annual report, that the AAR of RTD provides a fair assessment of financial management in relation to the regularity of transactions, and the information provided corroborates the Court's findings in most respects.

In the context of AAR reservations, for reasons of transparency and prudence, the Commission DGs use two distinct concepts. While the "scope" of the reservation refers indeed to the total expenditure of the programme or activity concerned, the "exposure" in terms of *actual amount at risk* duly only takes into account the fairly limited (residual) error rate (in this case 3%).

However, in order to address the concerns raised by the Parliament, DG RTD has made a particular effort on pages 108 and 109 of its the Annual Activity Report to explain for which parts of FP7 the risks were significantly lower than for all expenditure (e.g. ERC, Marie Curie).

24. Does the EC have some information regarding the error rate for the research, development and innovation projects with the Cohesion Policy?

**Commission's answer:**

DG REGIO does not calculate an error rate per type of expenditure since error rates are provided by Audit Authorities per Operational programmes and not subdivided per priority axis per type of expenditure within each programme. The regulations do not require such refinement, which would be very costly for Member States in terms of representativeness of the samples that would be needed for such subdivision.

25. How does the EC evaluate the new experience of special agencies like INEA from the sound financial management point of view?

**Commission's answer:**

The Commission recalls that the delegation of the management of 2014-2020 programmes to Executive Agencies was decided to provide a better service to customers, and to enable the Commission to focus on its policy tasks. Furthermore, it was in line with, first, the Commission commitment to simplify and rationalise further, in the course of the current Multi-annual Financial Framework (MFF) 2014-2020, the administration of the EU institutions, agencies and bodies to make it a modern, effective and dynamic organisation, while reducing staffing by 5% over 5 years; and, second, the need for the Commission to make the best use of reduced human resources by focusing more than ever on its core institutional tasks, such as policy-making, implementation and monitoring of the application of EU law, and strategic management, whilst guaranteeing the most effective and efficient implementation of spending programmes for which it remains ultimately responsible.

A third element in the decision to delegate programme management to Executive Agencies was the positive experience of management of EU programmes by Executive Agencies in the previous MFF. FP7 was partly implemented by the Research Executive Agency (REA) and the European Research Council Executive Agency (ERCEA). These agencies were subjected to evaluations that found that, as a result of their experience and specialisation in specifically defined tasks, the agencies guarantee a high quality of programme management and better service delivery in terms of faster contracting, faster approval procedures for technical and financial reports and quicker payments.

As a result of this positive experience, the delegation of programme management to Executive Agencies was extended for Horizon 2020. The European Commission has delegated 55% of the operational budget implementation of Horizon 2020 to 4 Executive Agencies (EAs) (REA, ERCEA, INEA and EASME).

The European Commission considers this extension of the delegation of programme management to Executive Agencies under Horizon 2020 to be a success. A new three-year evaluation (2012-2015) of REA and ERCEA is being finalised. It shows that these EAs deliver high-quality services, as reflected in the very high satisfaction rates of Framework Programme beneficiaries and independent experts. In addition, REA and ERCEA achieve high levels of cost-efficiency, exceeding the ex-ante estimations and legal minima concerning (1) operational budget managed per staff member, (2) the size of the administrative budget compared to the operational budget, and (3) savings realised.

Concerning INEA in particular, the regular supervision of the Executive Agency by the Commission has not identified any particular events, issues or problems that could have a material impact on assurance INEA was already running European Commission programmes in the transport and energy before 2014, and will continue to do so, alongside research programmes. INEA has established a set of indicators to monitor the control efficiency and effectiveness and has a strong ex-ante and ex-post control strategy striving to ensure sound financial management as well as the legality and regularity of the transactions.

The main tools used in ensuring sound and financial management by the EAs are the following:

- Supervision and monitoring of the EAs by the parent DGs: Representatives of the parent DGs are members of the Steering Committee, the main governing body of the EAs, which decides *inter alia* on the administrative and operational budget and is regularly informed, among others, on budget execution and findings of the audits.
- Reporting by the EAs to parent DGs, including an Annual Activity Report, and regular cooperation between the EAs, CSC and the parent DGs;
- 3-years evaluation of the operation of EAs, which is performed by an external evaluator and includes a cost-benefit analysis.
- Review by the Commission's Accounting Officer and the Court of Auditors of the yearly provisional accounts and the final accounts of the EAs. The report of the Court of Auditors is made available to the European Parliament to decide on the discharge of the implementation of EAs budget.
- Regular audits conducted by the Internal Audit Service of the Commission, which closely examines parts of EAs' activities and processes, and reports its findings to the parent DGs for possible corrective actions, should there be any shortcomings or risks detected;
- Internal control standards implemented by the EAs and improvements in ex-ante control. The Commission and the EAs are constantly reviewing their ex-ante controls to see how they can be improved, especially in the light of findings from the Court of Auditors.

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Recoveries

26. Could the Commission provide figures of the recoveries for the 6FP and the 7FP? Can the Commission provide a breakdown by the different mechanisms (Marie Curie, ERC grants, PPP and other more complex mechanisms) Could the Commission provide for 2014 (and if available, for 2015as well) the amount originally requested for recoveries and the amount finally obtained? Can the Commission provide with an evolution of the amount recovered in terms of percentage of the total funds for the 6FP and the 7FP?

**Commission's answer:**

***Part A - Could the Commission provide figures of the recoveries for the 6FP and the 7FP? Can the Commission provide a breakdown by the different mechanisms (Marie Curie, ERC grants, PPP and other more complex mechanisms)? Can the Commission provide with an evolution of the amount recovered in terms of percentage of the total funds for the 6FP and the 7FP?***

For the whole of Framework Programme 6, based on audits covering around €2 billion of expenditure, around €131 million has been directly recovered by all services implementing the programme as of 30/6/2015. A small amount of additional money still needs to be recovered..

For Framework Programme 7, the corresponding figures so far are, as of 30/6/2015, €1.9 billion and €65.5 million. Of this, around €2 million is from ERCEA, €1.4 million from Marie Skłodowska-Curie Actions, and €10.6 million by Joint Undertakings.

The implementation of the FP7 programme, including audits, is continuing. Around 40% of projects remain open, and audits can continue on closed projects. Therefore, the total amount that will be recovered from FP7 audits will continue to increase beyond the figure arrived at by 30/6/2015. For this reason it is not possible at this point in time to compare the FP6 and FP7 figures and to assess the evolution, as the FP7 audit campaign is still underway.

***Part B - Could the Commission provide for 2014 (and if available, for 2015as well) the amount originally requested for recoveries and the amount finally obtained?***

In 2014 and 2015, in the area of research, the Commission has issued Recovery Orders worth €42 million. €31 million has already been cashed, the rest is not yet recovered, either because of bankruptcy or pending enforced recovery. In this context it should be noted that the Participant Guarantee Fund may intervene to cover the risk of monies lost through bankruptcy.

27. Could the Commission provide with brief explanations of how the recoveries are dealt at DG RTD? Which level of the hierarchy is consulted? Has this changed during the course of 2014 as a result of the centralisation of audit services? Is there some kind of negotiation with the beneficiary being carried? Which is the legal framework that operates in the process of recovery?

**Commission's answer:**

*Which is the legal framework that operates in the process of recovery? Could the Commission provide with brief explanation of how recoveries are dealt at DG RTD? Which level of the hierarchy is consulted ?*

FP7 is implemented by a range of actors, which include Commission Directorates-General and Executive Agencies.

For all actors implementing FP7, the recovery process is governed by the same set of rules. These rules have been fixed by the Financial Regulation (FR).

Article 66(1) of the FR provides that the Authorising Officer by Delegation (AOD) "shall be responsible in each institution for implementing revenue and expenditure in accordance with the principle of sound financial management and for ensuring compliance with the requirements of legality and regularity". The AOD generally sub-delegates tasks to Authorising Officers by Sub-Delegation (AOSDs), who are generally Directors or Heads of Unit, following the rules set down in Article 47 of the Implementing rules to the Financial Regulation, and in Article 7 of the Internal Rules. AOSDs sign a Charter for Authorising Officers by Sub-Delegation, which requires them to report regularly to the AOD on the performance of their duties (twice a year in DG RTD), and to inform the AOD of any matter of importance that may compromise Sound financial Management.

It is the AOSDs who on a day-to-day basis undertake the different steps of the recovery process. According to Article 78(1) of the FR, before being able to launch a recovery order, AOSDs must:

- Verify that the debt exists,
- Determine or verify the reality and the amount of the debt,
- Verify the conditions according to which the debt is due.

According to the Rules of Application of the Financial Regulation, this requires ensuring inter alia that the receivable is certain, meaning that it is not subject to any condition; that the receivable is of fixed amount, expressed precisely in cash terms; and that the principle of sound financial management is complied with.

For this purpose, the AOSDs take account of all relevant information. The audit report occupies a distinct position in this respect. It is the result of a preliminary and preparatory procedure by which auditors give an opinion regarding the compliance of the costs declared with the eligibility criteria.

Other relevant elements that the AOSD takes account of when establishing (the need for) a recovery include the calculation of the EU contribution to be recovered in view of the funding rate, the existence of other eligible costs, and possible corrective actions, in particular those addressing administrative errors by the beneficiary.

Once the need for an adjustment has been established, the AOSD considers the best way to implement it. This may be by the issuing of a recovery order, but, when the negative adjustment concerns an on-going grant, and provided that there is no risk for the EU budget, such adjustment is implemented by compensating against the claim in the next reporting period. In practical terms, when the beneficiary submits its next financial reports the negative adjustment is applied, reducing the eligible costs declared in that period and so the EU funding paid.

***Has this changed during the course of 2014 as a result of the centralisation of audit services?***

The establishment of a central audit service in charge of all FP7 audits of the DGs involved as of 1 January 2014 and future ex-post audits under Horizon 2020 has not changed the recovery process described above. The audit reports are made available to all AOSDs concerned.

***Is there some kind of negotiation with the beneficiary being carried?***

DG RTD ensures a fair hearing for all beneficiaries throughout the whole process.

At the level of the audit, according to the audit manual, the auditee has the opportunity to react to the audit conclusions, which may include exchanges and meetings with the Commission services. The beneficiary may make any observation that it wishes, either on the facts or the conclusions deriving from the facts, and may supply additional evidence if appropriate. The auditors will consider the comments and evidence, and amend their report on the basis of any objective elements received.

At the level of the recovery, the AOSD must carry out a contradictory procedure with the beneficiary, separate from any contradictory procedures carried out during the audit process. The operational services notify the beneficiary of their intention to recover an amount and the beneficiary is given the opportunity to submit further comments. The receipt of factual elements may lead to a modification of the amount to be recovered.

*Anti-fraud strategy*

In response to the audit of FP7 control systems, the Common Research Anti-Fraud Strategy (RAFS) was further developed.

28. How many cases of suspected fraud were transmitted to OLAF?

**Commission's answer:**

RTD works closely with OLAF in the fight against fraud. All detected fraud suspicions are transmitted to OLAF. This is 12 cases in 2015 (to 9 December), 10 cases in 2014 and 10 in 2013. In addition OLAF began investigations based on information that it had received from other sources in 22 cases in 2015 (all

research services), 6 cases in 2014 (RTD only) and 13 cases in 2013 (RTD only).

Overall, not many frauds have been identified in the Research area, but this does not mean that DG RTD is complacent, work on the issue is continuing.

There is an anti-fraud strategy that includes actions to prevent and detect fraud, including awareness raising, training, development of IT tools and specialist auditors in the field.

### Horizon 2020

The Commission claims that 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.

29. What are the main improvements made? Except the portal, how do you communicate these actions to make sure you reach the right target group?

#### **Commission's answer:**

Firstly, in Horizon 2020, important simplifications have been introduced, including:

- one single funding rate per project;
- a flat rate for indirect costs;
- simpler rules for time recording, including the abolition of timesheets for researchers working 100% on the project,
- simpler and clearer rules for the calculation of hourly rates,
- more flexible rules for sub-contracting and third party beneficiaries.

All these simplifications will lower the burden on beneficiaries, and address known risks of errors. They will therefore assist in lowering the error rates, which has been recognised explicitly by the Court of Auditors (please refer to the reply to Question 30).

Secondly, in January 2014, the Commission has established the Common Support Centre (CSC) for Horizon 2020 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.

Thirdly, guidance has been improved, particularly with the Participant Portal, but also through the annotated Model Grant Agreement. The Participant portal is an important part of the simplification for Horizon 2020 but it is not the only one. Comprehensive guidance was given to beneficiaries at a number of different

events involving coordinators, participants and finance specialists, for FP7 but also for Horizon 2020 "Coordinators' day" events were organised twice with a total of 1 337 participants. They mainly aimed at the presentation of the new framework programme Horizon 2020. It has to be added to the 3 100 people participating in the communication events in 2013, out of whom around 300 were auditors. Clearer templates have been, and are being, prepared for Horizon 2020. They are published on the Participant Portal. This is in addition to the possibilities that already exist for participants to ask for guidance – for example the Research Enquiry Service and the National Contact Points.

Fourthly, in order to design a programme that is as close as possible to the needs of stakeholders, the Work Programme is subject to a wide, structured consultation with industry, the academic world, research centres and other interest groups. The aim is to arrive at a Work Programme that is really "fit for purpose"; i.e. defines the priorities that are needed but still ensures that they are achievable. This should ensure that the work programme is more focussed on results and addressing societal challenges, so as to better achieve the policy objectives of the Framework Programme.

Fifthly, reporting on the achievements of the programme has been improved. A range of objectives and indicators to measure the operational performance of the programme were established in Council Decision 2013/743/EU establishing the specific programmes for research and innovation (annex II). Other objectives and indicators can be derived from different pieces of legislation (for example the Financial Regulation) or from declarations or commitments by the Commission (for example on error rates). These form the basis of regular monitoring. This data is supported by evaluations undertaken before, during and after the programme, including the mid-term and final evaluation. The evaluations build on the data provided from quantitative reporting to give a wider, overall view, of the effectiveness of the programme. There will be regular reporting on the achievement against objectives.

30. On the basis of which evidence does the Commission believe that the flat rate for indirect costs established for Horizon2020 will result in a reduction of error rates compared to the FP7 system of reimbursement for these costs?

**Commission's answer:**

This is a lesson learnt from the implementation of the control strategy of the Commission for the 7<sup>th</sup> Framework Program, as well as from audit results of the European Court of Auditors. Regular errors identified relate to the use of a wrong methodology, adjustments to the cost driver and correction to the pool of indirect costs for non-project related activities such as non-research activities, sales, marketing, production, teaching, training costs. The FP7 rules on actual indirect costs are complex and open to different interpretations.

Around 25% of the errors identified by the Commission relate to indirect costs. With the Horizon 2020 flat rate the errors will not be produced anymore.

In its opinion on the Commission's proposal for the Horizon 2020 participation rules (opinion 6/2012) the European Court of Auditors stated that

"the introduction of funding for the total direct costs of research (one reimbursement rate for direct costs set at the inception of each project), together with a nominal fixed contribution towards indirect costs (20 %) for all beneficiaries and types of activity, make the cost-funding model simpler and less error-prone."

In 2014, out of 40 errors identified by the European Court of Auditors in the research area, 7 included errors in the calculation of actual indirect costs. In one case the indirect costs were entirely rejected, in another case 50% of the costs were rejected. None of these errors would exist in Horizon 2020, showing clearly how the flat rate will reduce errors.

31. ECA and the Commission recognise on the ECA report ( para 5.2) that simpler rules in Horizon 2020 will increase the risk of error, in particular due to the size of the beneficiaries (SMEs and new entrants) and to their administrative capacity? Which measures is the Commission putting in place to avoid this? What is the level of error acceptable for the Commission for SMEs and new entrants? Will they receive a different treatment? Does the Commission believe that a different level should be permitted for SME in different areas (Agriculture, Cohesion funds, Research) depending of the which EU fund applies

**Commission's answer:**

Simpler rules will not increase the risk of error in Horizon 2020. On the contrary, many of the simplifications were designed to lower the risks - for example a flat rate for indirect costs.

What the Court points out in paragraph 5.13 of its report (and on which the Commission agrees) is that certain elements introduced *during the legislative process for Horizon 2020* will increase the inherent risk of error. These are in particular the higher target for SME involvement, and the efforts to attract newcomers to the programme.

There are very good policy reasons for the introduction of these elements, and this will certainly assist in delivering excellent research and innovation, but there are risks associated with it.

The Commission, supported by the Discharge Authority on 2014, does not wish to increase the administrative burden on SMEs by dramatically increasing the level of control on all of them. Instead it will attempt to better target its controls.

The risks arising from dealing with SMEs occur in all expenditure areas. The actual errors that will occur will depend on the rules and eligibility criteria

established, the level of control and especially the possibilities for automatic controls, and the policy outcomes sought.

An acceptable level of error has not been established for SMEs. Rather, an overall objective has been set (in the financial statement accompanying the Horizon 2020 proposal) of a 2-5% representative error rate, with a multi-annual residual error rate as close as possible to 2%.

To avoid errors, the rules for Horizon 2020 were simplified, and this should be especially beneficial to SMEs. Several information events have been organised at the launch of the Horizon 2020 programmes. Together with the simplified rules clearer templates were created. This is in addition to the possibilities that already exist for participants to ask for guidance – for example the Research Enquiry Service and the National Contact Points. Nevertheless, it is clear that SMEs tend to have less time available to attend information events and examine guidance than larger beneficiaries with more administrative capacity.

32. HORIZON 2020 has become the most important, biggest and most thematically concentrated supportive programme not only in the EU, but also in the world; do you consider that with such an instrumentarium, the EU is able to compete with the USA, China, other territories to be the world's research place No 1? What are your expectations from HORIZON 2020 in 2020 in terms of its real results?

**Commission's answer:**

Europe will have to invest more, and more and better in Research and Development at regional, national and European level in order to be able to compete with the US, China and other large and dynamic international players in the long term.

Horizon 2020 makes a very important relevant contribution to that goal as the Union's funding programme for research and innovation activities. Europe cannot afford fragmentation and duplication of research and innovation efforts. The Research and development systems of many Member States often do not have the necessary critical mass to make an impact globally, hence the key role of European cooperation through Horizon 2020 to make the best out of Europe's science and innovation potential.

Many performance indicators show that Europe has strengths in research and innovation and can compete globally, if efforts are sustained. Europe performs well in terms of research excellence and has made progress in the past in boosting its performance further. In fact, the European Union is the world's largest producer of scientific publications, outperforms China in terms of the quality of scientific publications and in international patents and performs at a similar level to the US in relation to public Research and Development spending and patents. Europe furthermore outperforms many of its international competitors in the transparency and openness of research results, and these are aspects which should be further developed. Sustaining quality investments and improving its attractiveness as a top place for research are key to Europe's future. Horizon 2020 has been designed and implemented to make a significant contribution to that

goal.

In 2014 the Commission awarded between 18 and 1.292 grants in different Member States.

33. How does the Commission account for such enormous differences?

**Commission's answer:**

The Member State with the smallest EU contribution so far in Horizon 2020 is Malta (population 420 000), the Member state with the biggest EU contribution is the UK (population 64 million). It is therefore not surprising that there will be large differences in the grants awarded in different Member states.

Horizon 2020 grants are awarded to legal entities established in countries, but not to the countries themselves. Horizon 2020 funds actions on the basis of open calls in accordance with clearly established criteria, where excellence plays a key role. Any differences noted can be attributed to a variety of factors, like the size of the population, the interest of the entities to participate in an EU programme, their R&D capacity, their potential to network (both nationally and internationally). The strength of the research system in the countries they operate in can be also a decisive factor, which is why Horizon 2020 pays special attention to it through a dedicated special objective to 'Spreading excellence and widening participation'.

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.

34. Is this synergy actively sought after by applicants?

**Commission's answer:**

As was detailed in the response to question 28 in the earlier round of questions, the Commission's services have worked to promote synergies, notably through the detailed 'Guide on Synergies'. Shortly, a brochure will be published containing practical examples of synergies. These examples illustrate that many beneficiaries of both FP7/Horizon 2020 and Structural Funds have actively sought to benefit from synergies when developing policies and implementing specific actions.

The Commission will continue to work to encourage such synergies especially as the regulations of both funding instruments include new synergy-friendly provisions to facilitate the process.

A practical example of synergies at work is the Seal of Excellence, which was recently launched by Commissioner Moedas and Commissioner Crețu. 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.

Horizon 2020 appears to have attracted a great number of proposals. Oversubscription emerged as a result. Now the Commission intends to introduce tighter impact conditions.

35. How does this work while ensuring a level-playing-field. What does "imposing tighter impact conditions" mean?

**Commission's answer:**

Horizon 2020 uses 'impact' as one of the three criteria against which Horizon 2020 proposals are evaluated, the other two being 'excellence' (relevant to the description of the call or topic) and 'quality and efficiency of the implementation'. These criteria are adapted to each type of action, as specified in the work programme e.g. research and innovation action, innovation action etc.

The specification of the impact evaluation criterion for each type of action first of all refers to the 'expected impacts' as set out in the work programme under the relevant topic. This means therefore that proposals should address the 'expected impacts', and the degree to which this is achieved in the proposal is an important part of the evaluation process. By strengthening the definition of 'expected impacts' in the work programme for 2016-17 (i.e. clearer, more specific to the topic, connecting outputs, outcomes and longer-term impacts), the Commission's intention has been to provide better guidance to potential proposers, thereby potentially improving the clarity of proposals received, reducing the numbers of poorly thought through proposals, and overall to improve the success rates.

On the 25 September 2015 the Commission launched a stakeholder consultation on additional simplifications that could be introduced in Horizon 2020.

36. Why was it considered to be the right moment for this consultation only 20 months after the legal provisions entered into force?

**Commission's answer:**

Far-reaching simplification measures have been introduced in Horizon 2020, but as the Commission considers simplification to be a continuous challenge it was considered appropriate to launch this survey.

At the time of launch of the consultation, more than 30000 proposals had been already received involving 120 000 applicants, and more than 5000 Horizon 2020 grants had already been signed. The survey focussed on the first stages of proposal and grant management (proposal preparation and submission, evaluation, grant preparation and signature). Applicants and participants have ample experience of these stages, allowing them to already assess the impact of the simplification measures introduced, and to propose ideas from participants for further simplification.

The fact that around 4800 organisations and participants have replied to the survey proves the interest of the research community in this matter.

As to the results of the survey the simplification measures introduced in Horizon 2020 have received a very broad support.

### Financial engineering instruments (FEI)

DG Research and Innovation implements together with the EIB Group a new financial instrument - InnovFin, created in 2014.

37. How will the cooperation between DG R&I and the EIB group work in practice?

#### **Commission's answer:**

Cooperation builds on the practices established by DG Research & Innovation and the EIB Group to jointly implement the predecessor financial instrument, the RSFF, which was created (with EIB) in 2007 and supplemented by the RSI Pilot (with EIF) in 2012.

This experience was an important input in the development of the Delegation Agreement (DA), a contractual document between the EU (represented by the EC), the EIB and the EIF, concerning the Horizon 2020 InnovFin financial instruments.

A financial and administrative framework agreement between the EIB and the Commission was agreed on 8 May 2014, setting out common principles for the implementation of financial instruments. The DA, which entered into force on 12 June 2014, lays down provisions for cooperation between the parties, notably covering their obligations and tasks, eligibility and selection processes for intermediaries and final beneficiaries, governance, monitoring, control and reporting, audit and evaluation and communications. It also specifies a Designated Service within DG Research & Innovation as responsible, in practice, for cooperation with the EIB Group.

Under the governance provisions, two steering committees were set up: one to supervise cooperation regarding the Horizon 2020 InnovFin debt facilities, and

another to supervise cooperation regarding the Horizon 2020 InnovFin and COSME equity facilities. Chaired by representatives of DG Research & Innovation, they involve nominees from Commission departments that make use of the facilities, and representatives of EIB and EIF. The steering committees meet twice a year, and also operate by written procedure in between meetings. On a day-to-day basis, cooperation takes the form of frequent exchanges between the Designated Service and their opposite numbers in the EIB Group.

Procedures have been established to ensure the respect of Article 60 of the Financial Regulation, which deals with indirect management, such as the annual reporting by the EIB to the Commission, management declarations and audit, as well as with the provisions of Title VIII of the Financial Regulation which specifies the rules for financial instruments..

### Other questions

38. Does the EC think it matters to include into the discharge some more general economic policy consequences (member states' behaviour in line with the Europe 2020 Strategy, fiscal discipline, and macroeconomic balance rules)?

#### **Commission's answer:**

All the elements included as examples are important in the general operation of the European Union. However, they would seem to be outside the management control of the European Commission.

So whilst the Commission will attempt to provide all possible information to the discharge authority, it considers that there are other fora in which all these elements should be debated.

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