

## 2021 Discharge to the Commission

**WRITTEN QUESTIONS TO COMMISSIONER JOHANNES  
HAHN**

Hearing on 5 December 2022

*Questions concerning administration-related issues*

1. In 2021 and in general, how many members of the Commission staff have been able to transfer their pensions to a private scheme (when a staff member has served under 10 years and is therefore not eligible for an EU pension)?

**Commission's answer:**

The Office for the Administration & Payment of Individual Entitlements (PMO) is handling requests of pension rights to another pension scheme for Commission staff, staff from agencies and from other institutions. In 2021, in total 492 request files were paid, out of which 303 to private pension schemes. Of those 303, 124 concern Commission staff. In general, since the 2012 introduction of the PABS IT system until 2021 included, in total 4248 transfer out files have been paid, out of which 2655 to private pension schemes. Of those 2655, 1119 concern Commission staff.

2. European Parliament expressed in its report “2020 discharge: General budget of the EU - European Commission” in para 164 its concerns over the Commission’s limited overview of the final recipients of the funding warning that particularly in the area of security and citizenship Union funds may unintentionally end up benefitting organizations that incite terrorism or extremism. Did or will the Commission take some concrete steps to address those concerns?

**Commission's answer:**

Progress is ongoing in the collection of information on final recipients of EU funding at Commission level. The member States already have an obligation to collect and store electronically such data under sectoral legislation such as article 72e) of the CPR (Common Provision Regulation) and the RRF (Recovery and Resilience Facility). It is up to each Member State to put in place the necessary framework for the collection of the Beneficial Owners data. They can either ask recipients to provide that information (e.g. during the application process) or use the data stored in the register already used for the purposes of the Anti-Money Laundering Directive (EU) 2015/849 of the European Parliament and of the Council, with due regard of the lessons learnt from the Judgment in Joined Cases C-37/20 Luxembourg Business Registers and C-601/20 Sovim with regard to legitimate interests on the access to beneficial owners. This data is recorded and stored electronically in the Arachne data-mining and risk-scoring tool, which provides the Commission with a relevant overview.

The Commission proposal for a compulsory use of Arachne in all management modes of EU funds and by all the Member States should extend even further the gathering of information on final recipients of EU funds.

3. What are the conditions under which the competent authority requests the complementary evidence, including information on beneficial ownership of the organizations receiving EU funding, which is complementary to the declaration of honor, used for the checks against exclusion criteria of entities participating in award procedures established by the Financial Regulation?

**Commission's answer:**

According to Article 137(2) of the Financial Regulation, the participant, the subcontractor or the entity on whose capacity a candidate or tenderer intends to rely shall provide appropriate evidence that its beneficial owners, as defined in point (6) of Article 3 of Directive (EU) 2015/849 are not in one of the exclusion situations referred to in Article 136(1), whenever requested by the authorising officer responsible and where this is necessary to ensure the proper conduct of the procedure.

The request for evidence (e.g. a recent extract from the judicial record) is based on a risk assessment carried out by the authorizing officer responsible. Risk assessment principles are set up in the internal control framework and each authorising officer has in place management and control procedures which take account of risks.

In the area of procurement, for example, it is strongly recommended to verify evidence for contracts with a value as from the thresholds set in the Public Procurement Directive, at least from the proposed winner. This should be requested at the latest as a last step of the evaluation before the evaluation report is signed. For contracts with a value below the thresholds set in the Directive, the contracting authority may, if it has doubts about whether the tenderer to whom the contract is to be awarded is in one of the situations leading to exclusion, require the tenderer to provide the evidence on non-exclusion.

4. How many members of staff had training on harassment in 2021? Is there obligatory training for newcomers on harassment? What is the percentage of managers who have passed such a training and how many of them in 2021?

**Commission's answer:**

The Commission offers training courses and other awareness-raising events on staff members' rights and obligations arising from Title II of the Staff Regulations, which covers staff ethics, conduct at work, and the prohibition of harassment. These courses include an introductory course for newcomers including a module on ethics at the Commission, which also covers the subject of behaviour at work and harassment. Hence, all persons who have become managers will also have followed this course. 1304 new staff followed this course in 2021. In addition, there are dedicated courses for newly appointed heads of unit, including a module on ethics, harassment and on disciplinary process. 66 newly appointed heads of unit participated in these trainings in 2021. Lastly, there are awareness raising training sessions offered as part of the overall offering for staff. These are not mandatory. Combined attendance at these events totals 375 in 2021, of which 265 were staff with people-management responsibilities.

5. On 12 October this year the French newspaper Liberation published an article raising many concerns about a case of sexual violence by a very high official in the Commission. How could the Commission demonstrate that it has protected the EU financial interests and the image of the institution by the manner it dealt with this case?

**Commission's answer:**

On 28 October, the Appointing Authority adopted the sanction decision in the case of the person in question, who was removed from the post, with the reduction of his pension rights. This sanction decision takes fully into account the seriousness of the established facts. As a result of this decision, on 1 November 2022 his employment status with the Commission was terminated. There is no legal basis to recover the salaries paid to a staff member who was suspended from their functions for more than 6 months. The disciplinary procedure opened against the person in question, could not be concluded before the national judicial authorities rendered their final judgment, following a criminal procedure for the same facts.

The European Commission has zero tolerance to any form of misconduct. Staff must adhere to the highest ethical standards at all times. The Commission already has a robust policy in place to prevent and address all forms of harassment. This will be reinforced further as of early next year in the framework of the new Human Resources Strategy. The Commission will spare no effort to ensure that no such cases happen again. It is furthermore noted that the current provisions in the Staff Regulations with regard to suspension of a staff member are similar to the rules applied in the public administrations of the Member States. That said, the Commission will proceed with an in-depth evaluation of its rules, including with regard to this particular case, in order to ensure that any future modification of these rules is in line with the rights of the persons concerned and the legal order of the Union.

6. What is the annual budget (for the whole period) for remunerations of the InvestEU Investment Committee members and for expenditure for their participation in meetings (travel and accommodation costs)? In percentages, how much are the highly qualified experts more expensive and thus cannot be contracted under the limits of the current Financial Regulation compared to other experts?

**Commission's answer:**

The Investment Committee of the InvestEU Fund and its role, specific tasks and requirements are regulated by Article 24 of the InvestEU Regulation<sup>[1]</sup> (InvestEU Regulation). The Investment Committee is composed of twelve remunerated members, of which four are permanent and eight non-permanent members. One of the permanent members is elected as the chairperson. In particular, the InvestEU Regulation requires the experts to have a high level of relevant market experience in project structuring and financing, or financing of SMEs or corporates. In addition, at least one of them needs to have expertise in sustainable investment. The InvestEU Regulation also regulates the remuneration of the Investment Committee members and expenditure for their participation in meetings (travel and accommodation costs). The rules for selection of Investment Committee members, their fees and reimbursement of expenses are further laid down in Commission Decision C(2021) 2728<sup>[2]</sup>. The total annual budget for the functioning and staffing of the Investment Committee is EUR 1.046.400 and has been established in the Financing Decision of DG ECFIN for 2022 (C(2022) 929)<sup>[3]</sup>.

Past experience in hiring remunerated experts showed that in specific areas, e.g. investments and financial instruments, the EU institutions are not able to compete with other actors on the market in hiring highly skilled experts due to the low level of remuneration offered.

According to the InvestEU Regulation, experts which are part of the Investment Committee are to be contracted for 4 years (with contracts renewable only once). Highly qualified experts for the specific area cannot be found on the market within the limits set by the Financial Regulation, i.e. for up to EUR 139 000 for the duration of their contract.

In order to address this difficulty and ensure the necessary expertise for fulfilling the respective Union objectives, it is currently proposed in the Financial Regulation recast modifications to allow, only in exceptional and duly justified cases, that experts are remunerated with more competitive fees.

<sup>[1]</sup> Regulation (EU) 2021/523 of the European Parliament and of the Council of 24 March 2021 establishing the InvestEU Programme and amending Regulation (EU) 2015/1017 (OJ L 107, 26.3.2021, p. 30).

<sup>[2]</sup> Commission Decision of 15.4.2021 setting out the selection procedure, remuneration and rules on conflicts of interest applicable to the experts of the Investment Committee established in accordance with Article 24 of Regulation (EU) 2021/523 of the European Parliament and of the Council.

<sup>[3]</sup> Commission Decision of 18.2.2022 on the financing of Directorate General for Economic and Financial Affairs' activities and adoption of a corresponding annual work programme for 2022.

7. In the 2020 Discharge, the EP underlined its request for the Commission to ensure a fair geographical balance of its members of staff at all levels, especially at middle and senior management levels where strong imbalances persist (countries like Croatia, Czech Republic, Romania and others are not fairly represented) , while at the same time fulfilling the requirements in the Staff Regulation in relation to competences and merits of candidates. Can you assess the current state of play? What practical steps have been taken in 2021 to address this issue?

**Commission's answer:**

Geographical balance is at the heart of the geo-political vision that guides the current Commission. Addressing the structural nature of geographic imbalances at management level requires tackling and remedying the causes of under representation from the point of initial recruitment, with an approach specifically tailored for each Member State.

With regard to the issue of geographical balance at senior management level, the Commission has put in place tailored coaching programmes for candidates with management potential to address their development needs with a view to a potential career in senior management. These learning and coaching opportunities are particularly well suited for candidates of the underrepresented nationalities; they have been presented, discussed and deployed in the course of 2021 via dedicated meetings with the middle managers from the underrepresented nationalities.

In addition, the Commission has stepped up its mentoring and individual career guidance activities particularly towards managers from the under-represented nationalities.

At middle management level, the Commission has continued the successful rollout of the Female Talent Development Programme in 2021, as a way to support pre-management talent, including from under-represented nationalities, with the aim of increasing their numbers in management functions.

*Questions concerning fraud and financial issues*

8. ECA has found that Member States' cumulative absorption of ESIF funding varies significantly, signalling that the pressure to absorb all the funds to avoid decommitments is particularly significant for certain Member States. What measures are your services taking to ensure the adequate absorption of EU funds across the EU?

**Commission's answer:**

2021 has been the year with the highest level of EU payments to Member States in the programming period (EUR 56 billion of ERDF/CF and EUR 16,2 billion of ESF paid from the EU budget), helping to considerably increase absorption. This shows that programmes implementation is now at full cruising speed. Implementation was also boosted in 2022 by the measures taken to counter the negative effects of the pandemic and of the war in Ukraine.

Nevertheless, the Commission confirms that the cumulative absorption varies between Member States and is not satisfactory for some programmes, despite its continuous monitoring and dialogue with all Member States during the programming period. The Commission continues its efforts to monitor closely, in particular, these programmes having more difficulties in absorbing available EU funds to help prevent under-absorption and potential decommitments at closure. The Member States and regions concerned are provided with specific technical assistance and advisory services to improve their absorption capacities and achievement of results. In particular, the Commission closely cooperates with the concerned managing authorities and has regular contacts and visits by EU experts on the ground. It has provided timely guidance to Member States to ensure adequate preparation for closure of the programming period, allowing for example the phasing of implementation of unfinished investment projects over the two programming periods to maximise implementation of the funds and ensure a smooth continuation of large investments over programming periods.

Member States have also access to a wide range of concrete tools improving their capacity to implement the Funds. These include cooperation put in place by the Commission with its technical assistance with the Joint Research Centre, the European Investment Bank, the European Investment Fund, the World Bank and the OECD. The Honourable Members are referred to the replies provided to Question 3 of the Written Questions to Commissioner Ferreira for more details on these technical assistance and advisory services. All these efforts contribute to strengthening the capacity of programme authorities to adopt the right pipeline of projects and to ensure increased absorption on the ground.

Moreover, since the COVID 19 outbreak, the Commission put forward several legislative proposals, including the Coronavirus Response Investment Initiative (CRII) and the Coronavirus Response Investment Initiative Plus (CRII +), which were adopted by the co-legislators in record time. Additional measures were also provided in the context of Commission's response to the crisis triggered by Russia's invasion in Ukraine, through the CARE and FAST CARE Initiatives. The flexibilities provided under these initiatives contribute further to absorb the 2014-2020 funding still available in different programmes. They include flexibility measures to expedite the implementation of the most needed measures, to ensure that money rapidly reaches the concerned beneficiaries on the ground (e.g. health services, citizens, SMEs), such as increased co-financing up to 100%, extended and simplified re-

programming possibilities and retroactive eligibility of expenditure as from the start of the pandemic and the Russian aggression.

The additional measures proposed by the Commission in the context of the on-going negotiations on REPowerEU (Supporting Affordable Energy – SAFE), will provide support to the most vulnerable households and companies severely hit by the energy prices and inflation resulting from the war in Ukraine. If adopted, this initiative would also contribute to better absorption of the remaining available appropriations from the 2014-2020 programmes.

While ensuring faster implementation of the available funding, the Commission continuously reminded the programme authorities since the start of the pandemic that all measures need to be implemented in full compliance with the rules. Programme authorities have been advised to update their risk-assessments, and audit authorities to pay particular attention to increased risks in this regard (e.g. inappropriate use of public procurement emergency procedures, need for managing authorities to carry out appropriate management verifications). In 2021 and 2022, the Joint Audit Directorate for Cohesion (DAC) has also included in its audit plans the audit of these new initiatives to obtain reasonable assurance that the management and control systems established and implemented by the Member States accurately cover the new risks. National and Commission audit results were reported in the respective Annual Activity Reports of DG REGIO and DG EMPL.

The Commission auditors will also remain attentive about the increased pressure on absorption at the end of the period. DG REGIO and DG EMPL have updated their Single Audit Strategy for Cohesion policy and European Maritime and Fisheries Fund accordingly, to cover the increased risks for programmes with large amounts to be spent by closure. Such programmes may be selected under the DAC risk assessment for specific audit work by closure.

9. The EU budget includes the Union's obligatory and voluntary contributions or membership fees to a number of international conventions, protocols and agreements to which the Union is party and preparatory work for future international agreements involving the Union. What is the assurance and control framework for these contributions? Are there any audit or control related work carried out concerning these payments or the respective organisations to which they are paid? Can you give us summary information from each one of the bodies covered by these payments?

**Commission's answer:**

Membership fees are regulated by article 239 Financial Regulation and the intention is to cover the Union's obligatory and voluntary contributions or membership fees to a number of international conventions, protocols and agreements to which the Union is party and preparatory work for future international agreements involving the Union.

The international conventions, protocols and agreements to which the Union is party, and preparatory work for future international agreements, covered by the Union's obligatory and voluntary contributions or membership fees, are listed in the budgetary remarks of the Budget lines 14 20 03 06 - International organizations and agreements and 14 20 04 01- International Organisations of Vine and Wine (see attached file for more details on the amounts contracted in 2021).



The Commission has received for example a mandate from the Council with the consent of the Parliament to represent the EU according to its membership to the following international commodity agreements: the International Coffee Organisation (ICO), the International Cacao Organisation (ICCO), the International Cotton Advisory Council (ICAC), the Food and Agriculture Organisation (FAO) and the International Treaty on Plant Genetic Resources for Food and Agriculture (ITPGRFA). These Membership implies contribution to the administrative annual budget as soon as it has been adopted and as long as membership is maintained. The amount paid is covered by a request from the organization following their internal regulation on membership fees and every year these organisations present to the members the financial statements which are audited.

Membership fees and/or voluntary contributions are falling under the control strategy of the mandated Directorate-General like any other expenditure. There is no specific control framework and they shall be distinguished from situations where the Commission entrusts international organisations with the management of EU funds under indirect management as per Article xx of the Financial Regulation.



2021\_Membership\_f  
ees\_FTS\_V4.xlsx

10. The Court has found that the implementation of several actions in the Commission's Customs Action Plan that contribute to reducing the customs gap had been delayed. The Report by the Wise Persons Group on the Reform of the EU Customs Union has called for the introduction of an annual Customs Revenue Gap Report based on an agreed methodology and data framework to better manage Customs revenue collection. Previous efforts at calculating the Customs Gap have failed due to the poor quality of data and the absence of methodology, despite calls from Parliament and the Court of Auditors. What progress is being made in this area? What is your timeline for the determination of the Customs gap? What is the status of the upcoming revision of the Union Customs Code? What is your position towards the setup of a European Customs Agency, do you see this need?

**Commission's answer:**

The Commission is determined to implement the Customs Action Plan. As indicated in the Commission answer to the Court, the Covid-19 pandemic however forced customs to change priorities and postpone certain activities to focus on the reaction to the pandemic and implement the necessary measures to facilitate trade.

Following the recommendations in the landmark report of the Wise Persons Group presented on 31 March 2022, the European Commission is now preparing a customs reform proposal for which adoption in the College is envisaged for the first half (Q1) of 2023. It will be a legislative proposal to revise the Union Customs Code and the governance of the customs union.

In line with the recommendations by the independent Wise Persons Group, creating an EU agency for the customs union is among the options under consideration for the future governance and is being assessed in the impact assessment that will accompany the legislative proposal. At this stage, no decision has been taken within the Commission on what will be proposed, as the impact assessment has not been finalised.

Since risk management and e-commerce are key elements of the reform proposal, several actions of the Customs Action Plan, among which Action 2 ‘Revised Risk Management Strategy’ and Action 4 ‘Revisit role and obligations of e-commerce actors notably platforms’, are expected to be implemented in the context and timeframe of the customs reform proposal.

Better access to data, including access for risk management and for anti-fraud purposes, is another key objective of the reform. A better data framework for customs will improve the management of prohibitions and restrictions, thereby enhancing the protection of the Internal Market for the benefit of consumers, and will contribute to improving the customs revenue collection.

Concerning the customs gap and its calculation, this requires both data and the establishment of a solid methodology. The Commission services are analysing the available data, and are exploring methodologies for the calculation of the customs gap. However, the quality of the available data does not allow the experts to apply a granular approach, and therefore, the Commission cannot draw any final conclusion on the basis of the work undertaken so far.

11. Did your institution use the flexibility provided by the EU’s public procurement framework to ensure rapid and efficient purchases of all necessary personal protective equipment in the context of Covid crisis; did you use shortened public procurement process, or emergency procurements that are not subject to EU procedural requirements and do not require the prior publication of tender notices ?

**Commission’s answer:**

In the context of the Covid-19 crisis, the Commission launched negotiated procedures without publication of a contract notice on the basis of urgency in order to purchase protective equipment and molecular tests. Procedures of this kind are compliant with the EU rules and are meant to provide the administration with the necessary flexibility under the Financial Regulation. The Commission did not use shortened public procurement process, or emergency procurements that are not subject to EU procedural requirements.

12. As regards the new Anti-Fraud Strategy 2018-2021, can you give a general overview of the major change in 2021?

**Commission’s answer:**

The current Commission Anti-Fraud Strategy (CAFS) dates from 2019 and is accompanied by an Action Plan. OLAF is responsible for developing, coordinating and overseeing the CAFS. The Commission took stock of its implementation in the 2021 Report on the protection of the EU’s financial interests (PIF report) published on 23 September 2022. It shows that practically all actions have been implemented.



In 2021, the Irregularity Management System (IMS) was further enhanced with the addition of a built-in analytical tool, which offers IMS users a number of pre-defined analyses. A report on the potential risks in the funding of health infrastructure was finalised with cases from IMS as well as OLAF investigations. The Commission supported the setting-up of the EPPO and provided it with administrative assistance in the start-up phase.

In 2022, Commission services agreed that while the strategy itself remains valid, the Action Plan needs to be reviewed and updated to take account of new priorities, notably the Recovery and Resilience Facility, digitalisation and better use of IT tools. The target date for publication of the revised Action Plan is the third quarter 2023.

13. Have you discovered and reported new fraudulent behaviour or money misuses in 2021?

**Commission's answer:**

The European Anti-Fraud Office (OLAF) reports every year on the main fraudulent trends and patterns that it detects and investigates as it exercises its mandate to protect the EU's budget from fraud. In its latest annual report covering 2021, OLAF pointed to an increased sophistication, digitalisation and specialisation of fraud. In 2021, OLAF investigated cases demonstrating that fraudsters have started to target green and digitalisation projects. Fraudsters also continued to adapt to the pandemic, and cross-border fraud schemes were observed as in previous years.

With regard to EU expenditure, the OLAF has noticed an increase in number of infiltrations by organised criminal groups through patterns of administrative irregularities, such as double funding, conflict of interest, manipulation of tenders and other means.

In relation to revenue, OLAF reported that fraudsters have coped with increased difficulties in moving large quantities of goods around by breaking up shipments of goods into smaller consignments, which are harder to detect and intercept. Complex patterns of shell companies established in many jurisdictions, including outside the EU, allow fraudsters to operate across the world, making undervaluation and origin fraud more difficult to tackle.

14. How many calls for tender did your institution organise in 2021? Please indicate the value and the number of applicants for each tender.

**Commission's answer:**

In 2021, the European Commission organized 745 call for tenders (with both contract awarded and not awarded). All these tenders are listed in the enclosed file, with the number of offers and the amount in EUR for each contract awarded. The tenders can be consulted via the [TED online platform](#).



2021\_EC\_tenders\_aw  
arded\_and\_not\_award

15. How the Commission ensures that financial instruments under the new MFF can be applied in all Member States?

**Commission's answer:**

For Cohesion policy programmes implemented under shared management, Member States need to justify the form of support, whether through financial instruments or grants, in their programmes to be adopted by the Commission.

The Commission considers that financial instruments should be used with preference to support revenue generating or cost saving investments, except in justified cases. This approach was followed in the discussions with the Member States on designing the 2021-2027 programmes, in view of their adoption. Given the different level of expertise in Member States for the implementation of financial instruments, the Commission uses a facility called *fi-compass*, funded under the technical assistance put at the disposal of Directorates-General REGIO, EMPL, AGRI, MARE and HOME, to support national and regional authorities in the implementation of financial instruments. “fi-compass” is a European Commission – European Investment Bank (EIB) joint platform for advisory services implemented by an independent team within the EIB Advisory Services, addressing the needs for financial instruments under shared management by means of a broad range of assistance, i.e. advisory services applicable to all Member States (mainly managing authorities) and types of financial instruments. Such activities typically include providing practical know-how and learning tools (studies, case studies, factsheets, e-learning modules, face-to-face training seminars, networking events) and disseminating good practices among Member States, including targeted events responding to managing authorities' needs. “fi-compass” deliverables are publicly available under <https://www.fi-compass.eu>, which is the knowledge hub for shared management financial instruments.

As regards the InvestEU Programme, it brings together under one roof the multitude of the EU financial instruments and the European Fund for Strategic Investment that existed under the previous MFF. Thereby, it makes finance for investment projects simpler, more efficient and more flexible, allowing for an overall better support of investments across the EU.

While the InvestEU budgetary guarantee is a market-driven instrument, the Commission is strongly committed to achieving the greatest possible geographical coverage and diversification. The largest share of the InvestEU budgetary guarantee is being implemented by the European Investment Bank and the European Investment Fund, which have long-standing experience with the deployment of financial instruments throughout the EU.

At the same time, the novelty of the InvestEU Programme is that the EU guarantee will be available also to other implementing partners, allowing to further increase its geographical coverage.

International Financial Institutions (such as the European Bank for Reconstruction and Development, the Nordic Investment Bank and the Council of Europe Development Bank) as well as National Promotional Banks and Institutions provide further diversification to the InvestEU Programme, given their in-depth knowledge of local, regional and sector-specific investment needs. The geographical scope of operations is one of the key monitoring indicators

under the InvestEU Programme for all implementing partners and is being monitored continuously.

The InvestEU Fund will also provide for a dedicated scheme to support additional investment to the benefit of just transition territories – those most affected by the socio-economic consequences of the green transition – in complementarity with the Just Transition Fund and the related public sector loan facility.

In addition, several Member States contribute to an even ‘bigger footprint’ of the InvestEU Programme in their territory by providing additional budget to the InvestEU Fund through their Member State compartment.

16. The European Chief Prosecutor has repeatedly highlighted the importance of detection of fraud for EPPO to fulfil its mandate efficiently and effectively. She has further emphasised the importance that such cases be spotted at Commission level, i.a. through audits and controls (and then passed on to OLAF and/or EPPO).

- What is the Commission doing to enhance its fraud detection capacities?

**Commission’s answer:**

The European Anti-Fraud Office (OLAF) makes available different channels for reporting allegations of fraud affecting the financial interests of the EU. These allegations are processed according to standard selection procedures and the competence of EPPO is carefully assessed as part of it. Since the set-up of EPPO, OLAF has reported 232 cases of possible criminal conduct to EPPO.

OLAF carries out analysis to identify red flags of possible fraud. This is done while conducting investigations, exchange of information with other services and using proactively analytical possibilities. OLAF has access to a wide range of databases and has developed IT analytical solutions fit for that purpose. In case of identification of red flags, a selection procedure is initiated in which the possible EPPO competence is carefully assessed.

The Commission services have an explicit obligation and an established procedure to report to OLAF cases of suspicion of fraud and irregularities. OLAF processes these cases, also in view of reporting to EPPO a possible criminal conduct. 14 cases originating from Commission services have been reported to EPPO so far.

The Commission Anti-Fraud Strategy (CAFS) includes several actions dedicated to enhancing fraud detection capacities. The actions refer mainly to: the optimisation of dedicated IT tools such as the Irregularity Management System (IMS), Early Detection and Exclusion System (EDES) and the integrated IT tool for data mining and data enrichment, ARACHNE; continuous training on anti-fraud issues both on corporate level and specific for Commission services; strategic analyses that feed into the fraud risk assessments of the Commission services; support for Commission services in the development of anti-fraud strategies; enhanced cooperation among Commission services on fraud related matters; via regular meetings with the anti-fraud community; making the reporting of information of potential investigative interest more efficient through direct channels between the services and OLAF.

The audits carried on by the Commission have as main objective to give reasonable assurance that the resources assigned under its responsibility have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions. Fraud is not the main target of the audits; however, in line with international auditing standards, auditors at EU and national levels maintain professional scepticism and professional care to noncompliance issues pointing to possible fraud when carrying out their audits. If fraud suspicions arise during an audit, the Commission promptly reports them to OLAF and/or national auditors to their national investigative authorities, allowing such to these dedicated and specialised anti-fraud organisations to further proceed with careful investigations using the appropriated tools and methodologies.

Nonetheless, the Commission considers new ways to improve fraud detection. It supports the use and development of existing fraud detection techniques and will look into the issue of fraud detection in the framework of audits by the Commission and the Member States' authorities, to explore scope for improvement. Member States authorities play an important role in detection of criminal fraud against the EU budget.

With the revision of the Financial Regulation, the Commission strengthens its detection and exclusion system for shared and direct management. The objective is to prevent selection by Member States' authorities of fraudulent economic operators in the context of EU projects, and to protect the EU budget. Furthermore, the compulsory integrated IT system for data-mining and risk-scoring with an obligation to use a single integrated IT system for data-mining and risk-scoring (provided by the Commission) to access and analyse such data on the recipients of Union funding (including their beneficial owners) and allow identifying measures, contracts and recipients which might be susceptible to risks of irregularities, fraud and conflicts of interest.

Ways to improve fraud detection were also discussed in November this year at the conference '*Prevent-Detect-Investigate: New challenges in fighting expenditure fraud and irregularities*', bringing together the Commission, OLAF, EPPO, ECA and Member States' authorities. The conference participants shared concrete examples and best practices showing that digitalisation, quality data sharing and analytical IT tools are essential for effective detection, as is the commitment and cooperation of all national and EU actors, including managing authorities, auditors and investigators.

- How can fraud detection capacities in the Member States be enhanced?

**Commission's answer:**

In the Member States, authorities managing and controlling implementation of the EU funds as well as national law enforcement authorities and other authorities (e.g. customs) contribute to the detection of fraud against EU funds according to their respective mandates.

OLAF is promoting and providing guideline to the set-up of national anti-fraud strategies that would include anti-fraud measures aimed at fraud prevention and detection. Member States have the obligation to report cases of fraud and irregularities established by them via the Irregularity Management System, OLAF makes sure that intelligence is adequately disseminated.

OLAF is meeting regularly with national Anti-Fraud Coordination Services (AFCOS) and customs authorities at operational level to discuss possible fraud trends and patterns that would need to be further examined for detecting new cases, adopting anti-fraud strategies and sharing intelligence.

OLAF can also finance technical or operational support for anti-fraud investigation, specialised training and research activities through the Union Anti-Fraud Programme (UAFP).

As regards the Recovery and Resilience Facility (RRF), OLAF is teaming up with national authorities and its partners at EU level, EPPO and Europol, to make sure that the RRF is effectively protected against fraud. OLAF provides support to the Member States in the management of the RRF via its Anti-Fraud Programme and will also conduct administrative investigations into RRF-related expenditure, just as it does in other areas of EU funding.

For Cohesion policy funds under shared management, the Commission promotes effective and proportionate anti-fraud / anti-corruption measures, in line with the Joint Anti-Fraud Strategy of DG REGIO, DG EMPL and DG MARE developed on the basis of the methodology provided by OLAF, and the Commission's policy of zero-tolerance for fraud and corruption.

A number of actions have been developed and are regularly updated under this strategy to help Member States fulfil their duties in relation to fraud prevention, detection and correction and to improve their detection capacities. As an example, an online 'EU Funds Anti-fraud Knowledge and Resource Centre' developed jointly by DG REGIO and OLAF and available on the Europa website since May 2021, provides materials for Member States to prevent and detect fraud in EU funds. It includes video modules, good practices and case studies, links to useful tools that can help to reduce fraud risk, information on guidance and legislation, judgement, and multiple-choice tests. It offers a four-day training course in cooperation with the European Institute of Public Administration on identifying and preventing fraud and corruption in ESI Funds.

- Exchange of quality data is necessary to detect fraud at an early stage. Data are collected and stored in the Member States, which are used for cross-checks both within the country and between Member States.

**Commission's answer:**

Under the Common Provisions Regulation adopted in 2021 Member States authorities systematically will have to collect additional information about the beneficial owners of beneficiaries, contractors and sub-contractors and the recipients of Union funding. The Commission has also proposed in May 2022 targeted amendments to the Financial Regulation to improve the interoperability of data on recipients and beneficial owners ultimately benefitting from Union funding. The proposal provides to make after 2027 the use of a single integrated IT system for data-mining and risk-scoring (provided by the Commission) mandatory to access and analyse all data on recipients of Union funding. The systematic use of this system by all Member States would further facilitate the identification of risks of fraud, corruption, double funding, conflict of interest and other irregularities.

- Fragmentation of sources remains a challenge. Systems vary between the Member States and are not always interoperable. The objective is to achieve more interoperability of the IT systems in the EU.

**Commission's answer:**

Meanwhile, the Commission encourages the Member States to use ARACHNE, the data-mining tool it has developed for Cohesion policy and made available free of charge to Member States. Based on data provided by the Member States' IT systems, ARACHNE shows beneficiaries, contractors, subcontractors (if such level of detailed information is provided) involved in multiple projects, and it can be used to clarify the possible links between beneficiaries and/or contractors, for instance in case of risk of conflict of interest, or to understand the possible exposure of a beneficiary in different programmes and/or Member States (risk of double funding). ARACHNE remains a voluntary support tool but the number of interested users is increasing. By now, 19 Member States plus the United Kingdom have used ARACHNE for one or more programmes under ERDF and ESF. It is also currently used by 5 Member States for both Cohesion policy Funds and the RRF. The tool is also used in 9 Member States on a pilot phase for DG AGRI funds.

***Flagging of potential fraud***

17. Does the Commission have a mechanism in place to flag a situation where the majority or a significant amount of EU funds repeatedly is being awarded to one economic operator?

**Commission's answer:**

For funds under shared management, the Commission has not in place a specific tool to flag a situation where the majority or a significant amount of EU funds repeatedly is being awarded to one economic operator. However, ARACHNE as a data-mining IT tool helps identifying the risk of concentration of public funds for projects drawing on several EU funds and provides a risk indicator of the existence of potential double funding. For 2021-2027, this risk indicator on concentration is at the level of beneficiaries or contractors (when such detailed information is provided by Member States) and new mandatory data cover beneficial owners of beneficiaries and contractors /subcontractors thus allowing to show when such natural persons are involved in multiple supported projects. In particular, the tool provides as one of its project risk indicators the "Concentration risk" under beneficiaries (and as from 2021-2027 under beneficial owners or contractors as well) that can be further analysed, where necessary, by programme authorities in charge of RRF or Cohesion programmes implementation, or during audits. The tool is currently a voluntary support tool, though its use is intended to be gradually generalised in all management modes, in line with the Inter Institutional Agreement of 16 December 2020.

Moreover, Kohesio which is a comprehensive knowledge database offering easy and transparent access to up-to-date information on projects and beneficiaries co-funded by EU Cohesion policy, can also allow to show the concentration of funding under beneficiaries.



For funds managed under direct and indirect management, the Financial Transparency System provides amounts on beneficiaries by means of which the public can search how much EU funds were awarded.

18. In which Member States and concerning which funds has such a situation been observed, where the majority or a significant amount of EU funds repeatedly is being awarded to one economic operator or the same group of economic operators?

**Commission's answer:**

The Commission does not query nor store information regarding the majority or a significant amount of EU funds repeatedly which is being awarded to one economic operator or the same group of economic operators.

For Cohesion policy Funds and for the CAP funds, the Commission refers to the reply it provided to the European Parliament (CONT) on its request for information on the 50 biggest beneficiaries, and to the subsequent study carried out by the European Parliament (CONT) on "Requirements for a single database of beneficiaries", containing a list of the biggest beneficiaries of EU funds and concentration of funds. Since this study DG REGIO has developed a single tool, called Kohesio, aggregating information from all platforms for transparency of beneficiaries available in the Member States. This tool allows to visualise all projects and operations funded with Cohesion policy Funds in Europe, and to make queries on the concentration of Funds under certain beneficiaries. For the CAP, information on the beneficiaries of CAP funds is published annually on the Member States' websites for transparency. With the obligation for Member States to also collect the beneficial owners of beneficiaries, their contractors and sub-contractors, it will also be possible for example through ARACHNE to identify the concentration of funds under specific beneficial owner, natural or legal entities.

***Detection of potential fraud in public procurement***

19. What mechanisms does the Commission have in place to check for potential fraud in public procurement tenders with only a single or no bidder?

**Commission's answer:**

The Financial Regulation has laid down measures to detect fraud in procurement procedures which are always in place, regardless of the number of tenders. Any candidate or tender has to provide to the contracting authority with the European Single Procurement Document (ESPD) or, as long as the ESPD is not available for EU institutions, a declaration on honour, signed and dated, stating that they are not in one of the exclusion situations (Article 137 FR).

For procedures above a certain threshold, the candidates or tenderers must provide evidence confirming the ESPD or declaration upon request of the contracting authority at any time where this is necessary to ensure the proper conduct of the procedure (Article 137(2) FR).

In addition, the contracting authority should check whether the entity is listed in the Early Detection and Exclusion Database (EDES) during different phases of the procedure, including before the signature of a contract.

For Cohesion funds, the Commission pays particular attention during its audits to operations and public contracts with single bidding in order to properly covers the risks of conflict of interest or discriminatory criteria in public procurements funded by Cohesion policy funds and to make sure that best value for money is achieved with the public money assigned. For instance, the Joint Audit Directorate for Cohesion (DAC) has recently performed a thematic audit to review single bidding in public procurements in Bulgaria.

Moreover, in 2019 DG REGIO, in close consultation with DG GROW, analysed the issue of single bidding and non-competitive tendering procedures for projects funded by the European Structural and Investment Funds (ESIF). The final report has been published in May 2019 and contains a series of conclusions and deriving policy recommendations: [https://ec.europa.eu/regional\\_policy/information-sources/publications/reports/2019/single-bidding-and-non-competitive-tendering\\_en](https://ec.europa.eu/regional_policy/information-sources/publications/reports/2019/single-bidding-and-non-competitive-tendering_en). The Report is accompanied by an online dashboard presenting statistical data on single bidding per sector, per year and by region for selected Member States. The work done and the online dashboard have not been updated since their publication; however, despite the study was up to 2018, the report provides a targeted initiative of DG REGIO to make an in-depth analysis of the issue. It is available at the following link:

[https://public.tableau.com/profile/directorate.general.for.regional.and.urban.policy#!/vizhome/Singlebidnon-open\\_proc/Singlebiddingoverview](https://public.tableau.com/profile/directorate.general.for.regional.and.urban.policy#!/vizhome/Singlebidnon-open_proc/Singlebiddingoverview).

DG GROW also publishes annual statistics in the Internal Market Scoreboard, including, under the public procurement chapter, an indicator measuring the proportion of contracts awarded where there was just a single bidder and reflecting several aspects of procurement, including competition and bureaucracy: [https://single-market-scoreboard.ec.europa.eu/policy\\_areas/public-procurement](https://single-market-scoreboard.ec.europa.eu/policy_areas/public-procurement).

In addition, the Commission is promoting Integrity Pacts, an innovative tool for preventing fraud and corruption by involving the civil society. Integrity Pacts are a civic monitoring tool aiming to increase transparency, accountability and good governance in public contracting. It is a framework for a partnership with civil society stating that the partnership will operate under noble intentions, without fraud, abstain from corrupt practices and conduct a transparent procurement. Civil Society Organisations monitor that all parties comply with such commitments. A pilot project run with Transparency International from 2016-2021 involved 18 projects in 11 Member States. The project was successful and was recognised as such by the European Ombudsman and endorsed by the G20. The Commission encourages Member States to continue implementing Integrity Pacts in targeted projects financed by EU funds, and provides support, i.a. with the recently published [toolbox](#) as well as [training](#) for managing authorities.

### ***Internal audit***

20. In his Annual report on internal audits carried out in 2021, the Internal Auditor of the Commission, in his overall opinion on the Commission's financial management, reported

an 'emphasis of matter' paragraph concerning operations under the 2021-2027 MFF and the recovery package NextGenerationEU on assurance, compliance and performance aspects. The auditor states that this does not affect his overall opinion. We consider however the matters identified to be fundamental.

- What has the Commission done to address the issues identified by the Internal Auditor?

**Commission's answer:**

The Commission understands the question refers to the first emphasis of a matter contained in the Internal Auditor's overall opinion and relating to the implementation of the EU budget in the context of the crisis related to the COVID-19 pandemic. Should the Honourable Member need additional information on the two other emphases of matter we stand ready to provide it.

First of all, the Commission's Internal Audit Service acknowledged the progress made by DG ECFIN in setting up the RRF audit and control strategy.

In 2021, in its emphasis of matter, the IAS underlined the need for the Commission to continue working on the control design and implementation of appropriate financial management, audit and control strategies for the RRF, in particular regarding two aspects:

- the procedures for suspension of payments and reduction of support in cases where one or more milestones and targets for a particular payment request have not been fulfilled partially or fully;
- the residual responsibility of the Commission in relation to other elements of compliance (i.e. protection of the financial interests of the Union in the case of fraud, corruption, and conflicts of interest or a serious breach of an obligation resulting from the Loan or Financing Agreement).

On the first point, the Commission is developing its approach to address cases of partial payments, also following a similar recommendation by the Court of Auditors. This approach will need to be consistent with the performance-based logic of the instrument, covering both reforms and investments. The key consideration in determining the suspension of payments therefore cannot be the actual cost of measures but how the milestones and targets non-fulfilment reflects on the overall performance of the plan.

On the second point, the Commission is currently working on addressing these remaining issues, including by defining guidance on the reduction and recovery or early repayment in cases of fraud, corruption, and conflicts of interests affecting the financial interests of the European Union that have not been corrected by the MS, or a serious breach of an obligation resulting from the Financing Agreement and/or Loan Agreement.

While the issues raised by the Internal Auditor in the emphases of matter are fundamental to users' understanding of the Commission's financial management, it has in particular to be taken into account that mitigating measures are already underway by management. Therefore, the related emphases of matter did not qualify the Internal Auditor's Overall Opinion that for 2021 the European Commission has put in place governance, risk management and internal control procedures which, taken as a whole, were adequate to give reasonable assurance on the achievement of its financial objectives, subject only to the reservations made by the authorising officers by delegation in their Annual Activity Reports.

- How is the Internal Auditor involved in the Commission's operations under the 2021-2027 MFF and the recovery package NextGenerationEU?

**Commission's answer:**

In line with Article 118 of Regulation 2018/1046 of the European Parliament and of the Council of 18 July 2018 ('the Financial Regulation'), the Internal Auditor advises the European Commission on dealing with risks, by issuing independent opinions on the quality of management and control systems and by issuing recommendations for improving the conditions of implementation of operations and promoting sound management.

The Internal Auditor performs these duties in relation to all the activities and departments of the European Commission, including the operations of the institution under both the financial programmes within the 2021-2027 MFF and the recovery package NextGenerationEU.

The Internal Auditor's strategic work plan covers a three-year period and is developed on the basis of an in-depth risk assessment. The risk assessment is reviewed each year, and the annual planning of audit engagements is adapted accordingly. This process ensures that the audit work undertaken is consistent with the highest risks faced by the institution, and that the planning reflects developments such as the start of a new MFF programming period or the introduction of innovative instruments such as the Recovery and Resilience Facility (RRF) under NextGenerationEU.

Five audits in 2021 focused on the risks related to the design of the overall MFF package, the Commission's enhanced role in some areas and its new areas of responsibility. The results of these audits were reported in the European Commission's annual report on internal audits carried out, in accordance with Article 118(8) of the Financial Regulation (COM(2022)292). In early 2022 additional audit work has been finalised covering the European Commission's RRF audit and control strategies.

In line with the relevant international standards, the Internal Auditor cooperates and coordinates work with other assurance providers, in particular the European Court of Auditors, in the context of its risk assessment, planning and execution of audit engagements. The importance of such cooperation and coordination, in particular as concerns innovative instruments such as the RRF, was referred to by both the President of the European Court of Auditors and the Internal Auditor in the debate in the Budgetary Control Committee on 13 October, and follow-up meetings between the two auditing bodies have already taken place. The IAS aims to intensify communication, coordination and collaboration on audit matters with the Court, to avoid audit fatigue caused by overlapping audits and possible gaps in audit coverage and to enhance collective value creation and efficiency.

The Internal Auditor's Overall Opinion for 2021 was accompanied by emphases of matter which stressed the need for management to continue to: assess the risks caused by the COVID-19 pandemic (as concerns both the MFF 2014-2020 and MFF 2021-2027) and define and implement mitigating measures, as well as appropriate financial management, audit and control strategies to support the recovery under NextGenerationEU, in particular as concerns the RRF;

strengthen supervision strategies regarding third parties implementing policies and programmes; and improve reporting on the corrective capacity of the multiannual control systems.

The work of the Internal Auditor in relation to the European Commission's operations under both the MFF 2021-2027 and NextGenerationEU will continue to be brought to the attention of the discharge authority via the annual reports in line with Article 118(8) of the Financial Regulation.

21. More specifically, the Internal Auditor draws attention to two areas:

- the procedures for suspension of payments and reduction of support in cases where milestones and targets for a particular payment request have not been met partially or fully; and
  - the control design has to be completed as concerns the residual responsibility of the Commission in relation to other elements of compliance (i.e. protection of the financial interests of the Union in the case of fraud, corruption, and conflicts of interest or a serious breach of an obligation resulting from the Loan or Financing Agreement).
- What is the status of the procedures for suspension of payments and reduction of support?

**Commission's answer:**

The Commission is developing its approach to address cases of partial payments, also following a similar recommendation by the Court of Auditors. This approach will need to be consistent with the performance-based logic of the Recovery and Resilience Facility, covering both reforms and investments. The key consideration in determining the suspension of payments therefore cannot be the actual cost of measures but how the milestones and targets non-fulfilment reflects on the overall performance of the plan.

See also reply to Question No 20.

- What is the control design as concerns the residual responsibility of the Commission in relation to other elements of compliance, in particular the mentioned protection of the EU's financial interests?

**Commission's answer:**

The Commission, specifically DG ECFIN's audit unit, carries out systems audits of the Member States' internal control set-up in order to ensure that the Member State is complying with its obligations to have processes in place to prevent and detect serious irregularities (i.e. fraud, corruption or conflicts of interest) or serious breaches of obligations of the financing agreement (including double funding).

In line with the audit strategy, the Commission intends to carry out system audits on the Protection of the Financial Interest of the Union at least once in all Member States, during the implementation of the RRF. In addition, in case of doubt, the Commission may carry out targeted audits on suspected cases of fraud, corruption or conflict of interest. Furthermore, the

Commission will undertake system audits to check if the data collection system of Member States is reliable.

In case such checks, or any other information, were to reveal that a Member State is in serious breach of its obligation, specifically on the control systems that each Member State has to put in place, the Commission may suspend or reduce the financial support for this Member State. This provision applies throughout the lifetime of the RRF.

### *Commission's assurance building and accountability reporting*

22. We noted that the declaration of assurance in DG ECFIN's AAR is different from the declaration of all other DGs.

- On what basis has this deviation from the standard format been allowed?

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

The model of the declaration of assurance of DG ECFIN Authorising Officer by Delegation (AOD) has been slightly adjusted compared to that of other Commission Directorates-General to reflect the responsibilities of DG ECFIN stemming from the implementation article 25(2) of the RRF Regulation as regards the proportionate reduction of the support under the RRF and recovery of any amount due to the Union budget or the request for early repayment of a loan. This addition to the standard declaration of assurance was discussed and agreed with the corporate services, and takes into account the specificities of the RRF to ensure that the declaration of assurance is comprehensive. This addition enables the declaration to correctly reflect the AODs assurance and to take into account the specificity of the RRF.

- How does the Commission ensure that the assurance given for the Commission overall, as indicated on page 34 and 35 of the Integrated financial and accountability reporting overview report, is aligned with the individual declarations of assurance in case of deviations from the standard format?

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

The assurance at Commission level is built upon the individual declarations of assurance of individual Authorising Officer by Delegations. The Annual Management and Performance Report (AMPR) summarises the declarations of assurance and discloses transparently the potential qualifications from services/AODs as well as the financial impact of all reservations issued (see annex 5, volume III of the AMPR 2021). The amended text of the declaration of assurance of DG ECFIN has no incidence at the assurance at Commission level (see point above) as it is different only in format but not as regards the level of assurance provided.

23. How are the management declarations of the Member States, that they have to submit together with the payments requests under the RRF, reflected in the Commission's assurance building and accountability for the EU Budget (Article 22.2 c) (i) of the RRF Regulation)?

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

The assurance declaration and audit summary accompanying each payment request are reviewed by the audit unit during the assessment of the payment request. The objective of this



assessment is to identify any information that puts the fulfilment of Milestones and Targets into doubt, verify the coherence between the Management Declaration and the Summary of Audits in respect of the Protection of the Financial Interest of the EU and, alert the geographical desks of shortcomings detected by the audit body during their audits.

### ***Interest rates***

24. The Recovery and Resilience Facility is funded through borrowing on the financial markets. In 2021, the conditions for borrowing were good and the Commission achieved positive results. How does the Commission mitigate the turbulence on the financial markets that will inevitably make borrowing more expensive for the remainder of the NextGenerationEU programme?

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

While the Commission has seen an increase in its cost of funding over the course of 2022, this reflects the general higher yield environment facing all issuers.

However, the Commission has a diverse funding toolbox to navigate volatile markets. This includes a range of funding techniques and funding instruments to provide flexibility. It also includes an ability to manage issuances with respect to market conditions and the activities of peer issuers. This enables the Commission to adapt its issuances to investor needs and to place successful transactions even in more challenging market environments.

Therefore, despite challenging market conditions since the beginning of the year, the EU has continued to issue large amounts and attract high quality order-books. This is a testament to the high quality of EU credit, and to investors' recognition that the EU is a value-driven issuer. In 2022, the EU has issued 100 billion euro in EU bonds under NGEU, with all syndicated NGEU bond transactions between 3 – 16 times over-subscribed. Syndication is a funding technique in which the issuer works with a group of underwriters, usually banks, whose role is to place the debt with investors in return for a fee. The Commission has used syndication exclusively in the past and continues to rely on it for a substantial part of its NextGenerationEU and other bond issuances.

The Commission is also working to ensure that the pricing of EU bonds better reflects the EU's credit quality and liquidity. For example, the Commission's proposal to amend the Financial Regulation, presented on 9 November 2022, will allow EU to finance all future programmes through a unified issuance programme. This will strengthen the EU's standing as a large-scale issuer and enable the Commission to issue debt on more advantageous terms, comparable to core, highly rated euro-area sovereigns.

### ***Horizon 2020 and the EU Budget***

25. Can the Commission explain what is happening to the EUR 3 billion of the European Innovation Council and why the Commission was not in a position to distribute the funds to enterprises? Which reputational risk was the Commission referring to in its justification to not distribute the funds?

**Commission's answer:**

Horizon Europe entered into force with considerable delay in 2021 due to the late adoption of the legal basis, meaning that implementation started late as a consequence. Following the pilot phase of the EIC Fund under H2020, the Commission conducted an evaluation of that pilot. The Commission must implement the EIC Accelerator support financing the EIC Fund in line with the new legal base of Horizon Europe. The Commission proceeded quickly with implementing the necessary changes to the pilot stemming from the Horizon Europe rules.

Article 11(3) of the Council Decision establishing the Specific Programme implementing Horizon Europe says: *“For the purpose of managing EIC blended finance, the Commission shall make use of indirect management. If this is not possible, the Commission may establish a special purpose vehicle (the 'EIC Fund'), to be managed in accordance with the applicable accountability rules.”* This is the clear legal base which, together with the requirements of the Financial Regulation, the Commission must follow, for both legal and reputational reasons.

The move to indirect management required by the Council Decision is being implemented in steps. The first part of the restructuring has now been implemented following the adoption of a Commission decision in September 2022, for an interim solution.

The EIC Fund has started taking investment decisions under this new structure with the use of an external fund manager and is now clearing the backlog of investments in an improved timeframe.

26. We have received information that the impact assessments of new programmes, notably the secure connectivity, did not include adequate analysis of the costs. How will the Commission ensure the proper financing of the initiative without redeploying commitment appropriations intended for other priorities under Horizon Europe? Further, the scrutiny board rejected the impact assessment of the proposal twice and could only proceed after the intervention of Commissioner Sefcovic. Given these clear signals that there are essential problems with the legislative proposal, why did the Commission proceed and how did they address the issues, in particular the analytical coherence between the problem definition, objectives, options, criteria for the comparison of options and the definition of future monitoring indicators, the lack of explanations on the choice of policy options with regard to technical solutions, and the absence of a timescale and identification of funding sources?

**Commission's answer:**

As regards the Union Secure Connectivity Programme, now IRIS<sup>2</sup>, the Commission, prior to the impact assessment, carried out a one-year knowledge-building study which also covered the budgetary aspects of the initiative. In this context, a thorough costing exercise was carried out with the space industry and its results were shared and discussed with the Commission's Regulatory Scrutiny Board.

On the funding of the Union Secure Connectivity Programme, the co-legislators reached a provisional agreement on 17 November 2022, including on the budget. With regard to Horizon Europe, it is important to note that there was never the intention to transfer funds out of Horizon Europe, but only to earmark within the activities in cluster 4 an amount for research and development activities for IRIS<sup>2</sup>. The provisional agreement of the co-legislators foresees a total budget of EUR 2.4 billion, which includes contributions from other budgetary headings (EUR 1.450 billion), the use of margins (EUR 0.2 billion) and earmarkings from other programmes (EUR 0.75 billion).

On the impact assessment itself, the Commission services addressed extensively the points raised in the negative opinions of the Regulatory Scrutiny Board. To clarify the process, an extensive annex was added in the final impact assessment to provide additional evidence and explanations on how the recommendations of the Board had been addressed. When adopting the proposal, the College assessed this additional evidence as satisfactorily addressing the identified shortcomings.

The rationale behind the necessity and the urgency to deploy a resilient, secured governmental satellite communication infrastructure, is clearer today than ever. In light of a war at its doorsteps since February 2022, it is evident that the security of the Union is increasingly dependent on secure and resilient connectivity.

It is worth recalling that the first European infrastructure directly hit by a cyberattack in the first days of the Russian aggression against Ukraine was the satellite communication capacity providing services to the government of Ukraine. As a side-effect of its disablement, EU critical energy infrastructures were perturbed for several days.

27. The EU Missions under Horizon Europe were set up to receive core funding from Horizon Europe while also mobilising additional investments from other Union programmes. In the implementation plans for the Missions developed in 2021 several potential additional investments were identified, but concrete commitments from other Union Programmes were not made. How much commitments for additional investments have been made since? What is now the foreseen budget for each Mission, putting together the investments from all Programmes that were committed (not just identified as a potential)? Is this budget now sufficient to achieve the objectives set out for each Mission?

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

Missions are a new way to drive research and innovation policy and to bring concrete solutions to the greatest societal challenges. In this way **Missions provide for enabling structures** to pool effort, resources (financial and non-financial) and means, to coordinate actions, build bridges in between them, provide new forms of governance and engage citizens. Yet, this does not imply that budgetary resources are 'transferred' between programmes. The implementation plans for EU Missions were published in September 2021 after the publication of the MFF 2021-27. Already the programmes of the Common Agricultural Policy starting in 2023 are including references to the missions. The individual missions have been working on building the framework to achieve their ambition by:

**Setting a cross-cutting and directional frame:** The mission **governance structure** put in place<sup>[1]</sup> aims at capturing the cross-sector and multilevel nature of missions. It notably includes a Mission Owners Group for each mission, composed of the Directorates-General that

contribute to the objectives of the mission through their policies, funding programmes, or other activities under their respective responsibilities. Mission implementation platforms are being set up to centralise the coordination, monitoring and assessment of the various strands of activities carried-out under each mission.

**Gathering non-financial contributions:** EU Missions are about building and engaging communities and citizens and aligning strategies towards common objectives. Engaging the communities must aim at mobilising their (financial and non-financial) contributions to the mission, that will ensure future mobilisation of additional funding streams. An example of already existing broad mobilization is the Oceans mission's lighthouses across basins, as well as international mobilisation and synergies, with commitments for instance by the Union for the Mediterranean and the Atlantic Ocean partners.

As regards **financing streams**, EU Missions implementation is so far financed from Horizon Europe, and from other national and European programmes. A large part of the resources to cover the needs to achieve missions' objectives will have to come from other sources than the Framework Programme for Research and Innovation. In a number of **countries**, notably Portugal, Austria, Spain and Germany the launch of the EU Missions triggered inter-ministerial coordination for all or some missions including the establishment of national mission hubs and / or regional and local contact points. These developments underpin the willingness to contribute to the Missions' success.

Missions report frequently large amounts available as support to the Missions from **funds under shared (ERDF, EMFAF, EAFRD) or central management**. For example, the soil mission demonstrates how it mobilises substantial resources via the CAP (2023-2027) Strategic Plans which provide continuous support to the EIP-AGRI (European Innovation Partnership Agriculture) with an increased scope and where MSs indicate €270m for the EIP operation group projects' support for soil health in 2014-2022. For Climate adaptation, the LIFE 2021 – 2024, adaptation part refers to the Mission Adaptation with €53 Mio from 2021 budget and €138 Mio for 22-24. For other Missions, similar actions are being launched calling on countries and regions to contribute within the frame of existing operational programmes.

**The guidance on 'Synergies between Horizon Europe and ERDF programmes'**<sup>[3]</sup>, adopted in early July, was welcomed by Member States. It describes, amongst others, possibilities to provide **cumulative funds** between Horizon Europe and ERDF, which could be piloted for instance under the Ocean Mission. Also, **alternative funding for excellent R&I projects** that are beyond the means available to the Missions<sup>[4]</sup> could be made available. The LIFE programme could provide a tangible contribution to mobilising nationally and regionally available funding via **'integrated projects for Missions'**<sup>[5]</sup>.

**Budget foreseen for each Mission:** In total, nearly EUR 1.9 billion has been dedicated to the missions in the Horizon Europe Work Programme for 2021-2022 and the draft Work Programme for 2023-2024. This is in line with the Horizon Europe work programme 2021-2022. The first amendment to the Horizon Europe 'main' Work Programme 2021-2022 included a budget of EUR 673.2 million dedicated to the roll-out of EU Missions covering 19 calls. The second amendment comprised EUR 507.1 million of additional budget for a total of 17 new calls. They follow the Horizon Europe 'main' Work Programme published in June 2021, which included EUR 31.2 million for preparatory actions. The calls will allow for the development and demonstration of key R&I solutions to achieve the mission objectives and provide the necessary coordination and support structures to ensure the rollout of each EU

Mission. In addition, significant amounts are being unlocked in other programmes and at national level. For instance on the Cancer mission, MS indicated health as priority for investments within national RRP. Concrete investments in Cancer infrastructures are also under discussion in RO and CZ. These levels of investments cannot be fully measured yet, considering the early stage of implementation of the missions.

**Is the budget sufficient to achieve the objectives set out for each Mission ?** The 2023 Work Programme allocates a slightly smaller amount to Mission to incentivise the take up of contributions from other sources in view of fulfilling the evaluation criteria of their implementation plans by the time of the formal evaluation in 2023, while noting that funding is one of the criteria that will be used but not the only one. The 2023 Work Programme foresees a total budget of around EUR 590 million for EU Missions. The budgets adopted for the missions should be sufficient considering the research part of the missions. Commitments related to other components of the missions are being made, which cannot be fully assessed yet.

#### Breakdown of the Missions budgets:

Mission budget 2021-2023 including the 10% reserve in 2023 (Project Group decision of June 2022)							
Year	Cancer	Climate adaptation	Oceans	Cities	Soil	Horizontal	TOTAL
2021	125.65	122.38	114.34	119.37	67.00	57.65	606.39
2022	129.56	126.20	117.90	123.09	95.00	39.86	631.61
2023*	110.68	107.81	100.72	105.15	142.20	17.87	584.43
10% Reserve for missions in 2023*	12.30	11.98	11.19	11.68	15.80	1.99	64.94
<b>TOTAL</b>	<b>378.20</b>	<b>368.36</b>	<b>344.16</b>	<b>359.29</b>	<b>320.00</b>	<b>117.36</b>	<b>1887.36</b>

\* 90% of the 2023 missions budget will be allocated to missions in 2023.

The remaining 10% of this budget for missions will be reserved and allocated at a later stage, following the results of the evaluation, as a top up to the best performing missions, or to beef up key challenges, such as REPowerEU, should it be necessary

<sup>[1]</sup> C(2021) 4472 - COMMISSION DECISION of 24.6.2021 on the coordinated implementation of Horizon Europe and on the operating rules for the Common Policy Centre and the Common Implementation Centre for Horizon Europe, the Framework Programme for Research and Innovation (2021-2027)

<sup>[3]</sup> C(2022) 4747 final

<sup>[4]</sup> Notably, 'Seal of excellence' and financial contribution to Horizon Europe. In the first phase of Horizon Europe these would be limited to project with a single beneficiary. However, ERDF funds are allowed to spend outside the regions as long as funding ultimately benefits the designated region. So nothing would speak against funding collaborative, multi-partner projects with a clear regional focus.

<sup>[5]</sup> The different parts of the LIFE programme (climate, nature, and environment) provide for 'integrated projects' they would cover already the climate related mission but not yet soil and oceans. Cancer would be outside the scope of the LIFE programme.

28. Recital 72 of the Horizon Europe Regulation requires the Programme to promote the respect of academic freedom in all countries benefiting from its funds. Which countries benefitted from Horizon funds in 2021 and which actions were undertaken to promote academic freedom in those countries?



**Commission's answer:**

Academic freedom and freedom of scientific research are safeguarded by Article 13 of the Charter of Fundamental Rights of the European Union, which has the same legal value of the Treaties and applies when implementing EU law. Academic freedom is also recognised in the Pact for Research and Innovation in Europe that sets out agreed values and principles, and areas where countries will develop the priority actions of the ERA Policy Agenda, including academic freedom, in line with the Bonn Declaration on freedom of scientific research. In particular, the following Member States and countries associated to Horizon Europe expressed their commitment on action 6 on academic freedom: Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Lithuania, Netherlands, Portugal, Spain, Georgia, and Norway. Action 6 will initially develop a monitoring system to gather data on the status of academic freedom in the EU. Findings will then contribute to evidence-based policymaking to address the identified issues.

All Horizon Europe association agreements and projects promote academic freedom and freedom of scientific research, as explicitly referred to in their preamble and addressed in the regular policy dialogues and joint committee meetings. Non-compliance with the core principles embedded in the association agreement, is addressed at the joint committee.

Compliance with applicable EU, international and national law is required under HE MGA as part of the general obligation to properly implement the action and monitored at project level and non-compliance may entail contractual sanctions.

The list of countries that are beneficiaries in grants that have been signed in 2021 is attached.



HEperCountry.xlsx

29. Could the Commission provide an overview of all calls and tenders that were delayed, cancelled or minimized due to the late start of the Horizon Europa programme and list all transfers from Horizon Europe in the year 2021?

**Commission's answer:**

The level of ambition of Horizon Europe for 2021 was kept as originally envisaged.

The Commission has started the implementation of the Horizon Europe programme at the beginning of 2021 before the Framework Programme and Specific Programme came into force and in anticipation of their adoption.

In this vein, the first three Horizon Europe work programmes and the first strategic plan were adopted by the Commission and calls opened already during the first three months of 2021:

- European Research Council Work Programme 2021 on 22 February 2021
- The first strategic plan under Horizon Europe (2021-2024), on 15 March 2021
- European Innovation Council Work Programme 2021 on 17 March 2021
- Initial 'main' Work Programme 2021-2022, to launch urgent actions to address COVID-19 on 31 March 2021.



Had an interinstitutional agreement on the programme been reached more quickly, calls could have been launched earlier. The main impact was on the implementation of the payment appropriations of the Budget 2021: payment appropriations had to be given back through the global transfer and most payments on the 2021 calls had to be postponed to 2022.

The full breadth of the actions for 2021-2022 were then rolled out in an amendment to the 'main' Work Programme 2021-2022 on 15 June 2021. This caused some calls to be launched later than what would have been the case with an earlier agreement on the Framework Programme by the co-legislators. Nevertheless, the Commission made particular efforts to ensure that all calls were launched in 2021.

All calls and tenders opened in line with the dates announced in the work programmes, with the exception of 21 actions under 'Digital, Industry and Space' (12 concerning high technology readiness level quantum research and 9 concerning space research). The calls relating to these actions were delayed from the original opening date of 28 October 2021 to 2 November 2021, due to the adoption of an amendment to the main Work Programme 2021-2022 on 28 October 2021 to modify the eligibility criteria of these actions.

### *Questions concerning financing organisations that finance terrorism*

30. How often did the Commission or its competent authority request complementary evidence, including information on beneficial ownership for recipients of funds, particularly in the area of security and citizenship? What organizations were subject to such requests?

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

Authorising officers are responsible to store and undertake ad-hoc checks of supporting documents for procedures under their own responsibility. However, under the current Multiannual Financial Framework, the Commission is conducting structural ownership checks centrally managed by the Central Validation Service of the Research Executive Agency (REA) in the context of security-sensitive actions under Horizon Europe, Digital Europe Programme, European Defence Fund and the Connecting Europe Facility (REA performed 1 080 of these checks in 2021 and 2022 to date); Structural ownership checks are also conducted in the context of assessment of Small and medium-sized enterprises/Middle-capitalisation companies' statuses (approx. 250 such assessments per year); lastly in the context of EU Restrictive Measures some ownership checks were conducted centrally (38 assessments in the context of Belarussian and Russian sanction regimes).

31. Did the Commission request complementary evidence to the declaration of honor to the beneficiary of EU awards named FEMYSO?

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

Declaration of honour and additional evidence must be submitted in the proposal selection process. FEMYSO has not been part of any selection process to receive EU funds in 2021, therefore no declaration of honour nor evidence had to be submitted by the organisation.

32. Did the Commission request complementary evidence to the declaration of honor to the beneficiary of EU award Islamic Relief Worldwide?

**Commission's answer:**

At the time of the verification of the declaration on honour, the contracting authority was not aware of any concrete signs or indications that questioned the information provided in the declaration, FPI therefore did not carry any additional checks nor did request additional documentation and the contract ICSP/2020/417-843 was countersigned on 24/08/2020.

The EU sanctions list map and the EDES database were consulted at the time of commitment and this organisation was and still is not flagged in neither database.

FPI has an ongoing grant with the implementing partner FinnChurch for a COVID-response regional action in South Asia (€ 1.25 million). The entity in question is a minor co-beneficiary (one out of six). Project activities have ended in April 2022. Implementation has not raised so far any particular issues and the final report is currently being analysed. At the end of the process, final payment to FinnChurch (the Coordinator) will be executed for the eligible amounts.

33. Did the Commission take into account that the Dutch and German governments announced that they were suspending public funding to subsidiaries of Islamic Relief Worldwide?

**Commission's answer:**

At that time, the contracting authority was not aware that the Dutch and German governments had announced that they were suspending public funding to subsidiaries of Islamic Relief Worldwide. Later on in 2021, the contracting authority became only aware that the German government decided for various reasons not to enter into a new contractual relationship with Islamic Relief Germany (legal entity subject to German law since 1996). As far as the contracting authority was aware at that time, no action was initiated by Germany against Islamic Relief Germany that would prevent contracting with the entity.

Implementation of the contract ended on 21/04/2022. As explained above, implementation has not raised so far any particular issues and the final report is currently being analysed. At the end of the process, final payment to FinnChurch (the Coordinator) will be executed for the eligible amounts. Elements shared on the entity Islamic Relief Worldwide might be further assessed by the Commission so as to establish if any restrictive measures on future funding of this legal entity should be put in place.

34. How does the Commission ensure that the organizations receiving EU funding do not obtain individual donations from entities or organizations with an extremist and Islamist background?

**Commission's answer:**

The Commission continues to ensure that organisations and projects that are incompatible with European values or pursue an illegal agenda do not receive support, as underlined in the 2020 EU Counter Terrorism Agenda (COM/2020/795 final).

The Commission awards funds in accordance with the legal framework set by the Financial Regulation, whereby the Commission carries out rigorous selection processes, including checks on grant beneficiaries based on objective criteria.

The Commission ensures that EU funds do not end up benefitting organisations that incite terrorism or radicalisation through the implementation of the Early Detection Exclusion System pursuant to Articles 135 and following of the Financial Regulation, whereby the award of funds is conditional upon the absence of exclusion grounds. Terrorist financing, terrorist offences or offences linked to terrorist activities, including actions such as inciting, supporting, abetting or attempting to commit such offences, constitute a ground of exclusion. The behaviour of persons or entities inciting to violence or hatred, although not specifically linked to terrorist activities, can also be subject to exclusion on the grounds of grave professional misconduct.

The system goes beyond the prevention and detection of risks of fraud or corruption for the EU budget – it also ensures effective sanctions on unreliable persons or entities, and notably the exclusion from award and procurement procedures funded under the EU budget and the imposition of financial penalties. In this same context, the Commission proposed as part of the revision of the Financial Regulation (recast) to add “incitement to discrimination, hatred or violence” as a new explicit situation of exclusion from EU funds under the Early Detection and Exclusion system (EDES).

The Financial Regulation (Article 155) also requires persons and entities implementing the EU budget in indirect management to comply with applicable Union law and agreed international and Union standards and, therefore, not support actions that contribute to terrorism financing. For financial instruments and budgetary guarantees, those persons and entities must not contract with financial intermediaries or final recipients established in jurisdictions listed by the EU for terrorism financing, unless the action is physically implemented in one of those jurisdictions and does not present any indication that the relevant operation falls under any of the categories listed. They must also transpose these requirements in the agreements they sign with financial intermediaries or with final recipients. Model agreements signed by the Commission with persons and entities implementing the EU budget in indirect management have provisions on suspension/termination or recovery of (part of) the EU contribution in case of non-respect of these obligations.

Lastly, all entities implementing EU funds are subject to EU restrictive measures under Article 215 of the Treaty of the Functioning of the European Union and enacted through Council decisions allowing targeting governments of non-EU countries, as well as companies, groups, organisations, or individuals and prohibiting listed entities or persons from receiving EU funding. The compliance with EU restrictive measures is ensured at the level of implementing entities through contractual provisions: when negotiating financial agreements with implementing partners, the European Commission systematically includes clauses to effectively ensure that no EU funds or economic resources can be made available, directly or indirectly to, or for the benefit of, persons or entities subject to EU restrictive measures.

35. Did the Panel (within a meaning of Article 143 of Financial Regulation) make any recommendations for the exclusion of the person or entity on the grounds under Article 136(2) of Financial Regulation specifically terrorist financing, terrorist-related offences or offences linked to terrorist activities?

**Commission's answer:**

The Commission ensures that EU funds do not end up benefitting organisations that incite terrorism through the implementation of the Early Detection Exclusion System (Article 136 Financial Regulation), which includes terrorist financing, terrorist offences or offences linked to terrorist activities, among exclusion grounds for persons or entities. The Panel referred to in Article 143 of the Financial never received cases under the latter ground. In this same context, the Commission proposed as part of the revision of the Financial Regulation (recast) to add “incitement to discrimination, hatred or violence” as a new explicit situation of exclusion from EU funds under the Early Detection and Exclusion system.

36. Considering the European Court of Auditors 2018 “Special Report on Radicalization that leads to terrorism” concluded that the Commission’s framework for assessing the effectiveness of the EU combating radicalization support is not sufficiently developed, did the Commission take any measures to develop clear methodologies to measure the effectiveness of projects for preventing and countering radicalization?

**Commission's answer:**

Based on the ECA Special report on radicalisation, the Commission launched a study to develop indicators and a methodology in order to ensure a better effectiveness of the Radicalisation Awareness Network (RAN), which is the major Commission initiative in the field of prevention of radicalisation. This led to the definition of a set of indicators and a dedicated methodology. These indicators and methodology have been implemented through the RAN, which is managed through a contractor the Commission selected in 2020. It’s monitoring and evaluation processes encompass some of the indicators that were elaborated in the 2020 study in order to ensure an effective and efficient support in the field of prevention of radicalisation.

37. European Parliament resolution of 12 December 2018 on findings and recommendations of the Special Committee on Terrorism suggested that significant numbers of cases of radical hate preachers have been documented throughout Europe, while some places of worship receive opaque funding from third countries, many of which have authoritarian or religious regimes that do not govern in accordance with democracy, the rule of law and human rights. Did the Commission consider this finding and implemented additional measures to detect and exclude such entities particularly in the area of security and citizenship and prevention of radicalization?

**Commission's answer:**

As mentioned in answer to Q38, the Commission is very vigilant to ensure that projects or organisations whose activities are incompatible with EU values or pursue an illegal agenda, do not receive any support. The EU funding mechanisms and controls systems are already very

robust. The Commission conducted a thorough analysis of existing procedures and strengthened the selection processes regarding the assessment of the content of the proposals. In the context of the new Multiannual Financial Framework templates have been revisited so that requirements appear in a clearer way and that the ethical requirements become more pronounced both in the application and in the evaluation methodology. The Commission is very transparent, all beneficiaries of EU funds are listed in the Funding & tender opportunities portal and any problems can be flagged to the Commission. To be noted that the Commission proposed as part of the revision of the Financial Regulation (recast) to add “incitement to discrimination, hatred or violence” as a new explicit situation of exclusion from EU funds under the Early Detection and Exclusion system (EDES).

38. Does the Commission implement additional safeguards to ensure that institutions and stakeholders funded under the counter-radicalization policy objective in support of moderate Islam are not directly or indirectly connected to religiously extremist terrorist organizations and hate preachers?

**Commission’s answer:**

The Commission attaches great importance to preventing that any organisation which is incompatible with EU values receives EU funds as stated in the Counter Terrorism Agenda for the EU presented in December 2020. The Commission implements robust safeguards in line with the EU regulatory framework, which comprises a wide range of legal provisions and tools to ensure that organisations and projects that are incompatible with European values or pursue an illegal agenda do not receive support either directly or indirectly.

In accordance with the framework set by the Financial Regulation the Commission carries out rigorous selection processes, including checks on grant beneficiaries in accordance with objective criteria. The award of funds is conditional upon the absence of any links to criminal activities, including terrorist offences and the Commission ensures that organisations and projects that are incompatible with European values or pursue an illegal agenda do not receive financial support. Furthermore, the awards are subject to the absence of any exclusion grounds as defined in the Financial Regulation, including the requirement for participants to procedures for receiving EU funding to submit a signed declaration on honour declaring that they are not in one of the exclusion situations, amongst which is terrorist financing, terrorist offences or offences linked to terrorist activities (Article 136 Financial Regulation).

The Early Detection and Exclusion System (EDES) provides for the possibility to exclude from receiving EU funding any person or entities linked to terrorist financing, terrorist offences or offences linked to terrorist activities. Additionally, the Financial Regulation (Article 155) requires persons and entities implementing the EU budget in indirect management to comply with applicable Union law and agreed international and Union standards and, therefore, not support actions that contribute to money, laundering, terrorism financing, tax avoidance, tax fraud or tax evasion.

Moreover, during the whole project duration, the Commission continues to closely monitor their implementation through the organisation of dedicated meetings, detailed reviews of deliverables, frequent contacts with projects’ teams and other specific actions.

See also reply to Question No 34.

\*\*\*