



Plenary sitting

A9-0077/2022

30.3.2022

REPORT

on discharge in respect of the implementation of the budget of the ECSEL Joint Undertaking (now the Key Digital Technologies Joint Undertaking) for the financial year 2020
(2021/2150(DEC))

Committee on Budgetary Control

Rapporteur: Ryszard Czarnecki

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1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on discharge in respect of the implementation of the budget of the ECSEL Joint Undertaking (now the Key Digital Technologies Joint Undertaking) for the financial year 2020 (2021/2150(DEC))

The European Parliament,

- having regard to the final annual accounts of the ECSEL Joint Undertaking for the financial year 2020,
- having regard to the Court of Auditors' annual report on the EU Joint Undertakings for the financial year 2020, together with the Joint Undertakings' replies¹,
- having regard to the statement of assurance² as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2020, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of 28 February 2022 on discharge to be given to the Joint Undertaking in respect of the implementation of the budget for the financial year 2020 (06005/2022 – C9-0106/2022),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012³, and in particular Article 71 thereof,
- having regard to Council Regulation (EU) No 561/2014 of 6 May 2014 establishing the ECSEL Joint Undertaking⁴,
- having regard to Council Regulation (EU) 2021/2085 of 19 November 2021 establishing the Joint Undertakings under Horizon Europe and repealing Regulations (EC) No 219/2007, (EU) No 557/2014, (EU) No 558/2014, (EU) No 559/2014, (EU) No 560/2014, (EU) No 561/2014 and (EU) No 642/2014⁵, and in particular Article 26 thereof,
- having regard to Commission Delegated Regulation (EU) No 110/2014 of 30 September

¹ OJ C 458, 12.11.2021, p. 20.

² OJ C 458, 12.11.2021, p. 20.

³ OJ L 193, 30.7.2018, p. 1.

⁴ OJ L 169, 7.6.2014, p. 152.

⁵ OJ L 427, 30.11.2021, p. 17.

2013 on the model financial regulation for public-private partnership bodies referred to in Article 209 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council⁶,

- having regard to Commission Delegated Regulation (EU) 2019/887 of 13 March 2019 on the model financial regulation for public-private partnership bodies referred to in Article 71 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council⁷,
 - having regard to Rule 100 of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A9-0077/2022),
1. Grants the Executive Director of the Key Digital Technologies Joint Undertaking discharge in respect of the implementation of the Joint Undertaking's budget for the financial year 2020;
 2. Sets out its observations in the resolution below;
 3. Instructs its President to forward this decision and the resolution forming an integral part of it to the Executive Director of the Key Digital Technologies Joint Undertaking, the Council, the Commission and the Court of Auditors, and to arrange for their publication in the *Official Journal of the European Union* (L series).

⁶ OJ L 38, 7.2.2014, p. 2.

⁷ OJ L 142, 29.5.2019, p. 16.

2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on the closure of the accounts of the ECSEL Joint Undertaking (now the Key Digital Technologies Joint Undertaking) for the financial year 2020 (2021/2150(DEC))

The European Parliament,

- having regard to the final annual accounts of the ECSEL Joint Undertaking for the financial year 2020,
- having regard to the Court of Auditors' annual report on the EU Joint Undertakings for the financial year 2020, together with the Joint Undertakings' replies¹,
- having regard to the statement of assurance² as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2020, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of 28 February 2022 on discharge to be given to the Joint Undertaking in respect of the implementation of the budget for the financial year 2020 (06005/2022 – C9-0106/2022),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012³, and in particular Article 71 thereof,
- having regard to Council Regulation (EU) No 561/2014 of 6 May 2014 establishing the ECSEL Joint Undertaking⁴,
- having regard to Council Regulation (EU) 2021/2085 of 19 November 2021 establishing the Joint Undertakings under Horizon Europe and repealing Regulations (EC) No 219/2007, (EU) No 557/2014, (EU) No 558/2014, (EU) No 559/2014, (EU) No 560/2014, (EU) No 561/2014 and (EU) No 642/2014⁵, and in particular Article 26 thereof,
- having regard to Commission Delegated Regulation (EU) No 110/2014 of 30 September 2013 on the model financial regulation for public-private partnership bodies referred to in Article 209 of Regulation (EU, Euratom) No 966/2012 of the European Parliament

¹ OJ C 458, 12.11.2021, p. 20.

² OJ C 458, 12.11.2021, p. 20.

³ OJ L 193, 30.7.2018, p. 1.

⁴ OJ L 169, 7.6.2014, p. 152.

⁵ OJ L 427, 30.11.2021, p. 17.

and of the Council⁶,

- having regard to Commission Delegated Regulation (EU) 2019/887 of 13 March 2019 on the model financial regulation for public-private partnership bodies referred to in Article 71 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council⁷,
 - having regard to Rule 100 of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A9-0077/2022),
1. Approves the closure of the accounts of the ECSEL Joint Undertaking for the financial year 2020;
 2. Instructs its President to forward this decision to the Executive Director of the Key Digital Technologies Joint Undertaking, the Council, the Commission and the Court of Auditors, and to arrange for its publication in the *Official Journal of the European Union* (L series).

⁶ OJ L 38, 7.2.2014, p. 2.

⁷ OJ L 142, 29.5.2019, p. 16.

3. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

with observations forming an integral part of the decision on discharge in respect of the implementation of the budget for the ECSEL Joint Undertaking (now the Key Digital Technologies Joint Undertaking) for the financial year 2020 (2021/2150(DEC))

The European Parliament,

- having regard to its decision on discharge in respect of the implementation of the budget of the ECSEL Joint Undertaking for the financial year 2020,
 - having regard to Rule 100 of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A9-0077/2022),
- A. whereas the ECSEL Joint Undertaking (the ‘Joint Undertaking’) was established on 6 May 2014 by Regulation (EU) No 561/2014¹, which entered into force on 27 June 2014, for a period until 31 December 2024, to replace and succeed the ARTEMIS and the ENIAC Joint Undertakings;
- B. whereas the members of the Joint Undertaking are the Union, the Member States and, on a voluntary basis, the Associated Countries (Participating States), and private member associations (Private Members) that represent their constituent companies and other organisations active in the field of electronic components and systems in the Union;
- C. whereas the contributions to the Joint Undertaking for the entire period of Horizon 2020 is up to EUR 1 184 874 000 from the Union, including EFTA appropriations, to administrative and operational costs, at least EUR 1 170 000 000 from the Participating States to the operational costs and commensurate with the Union’s financial contribution, and at least EUR 1 657 500 000 from the Private Members;

Budgetary and financial management

1. Notes from the Court of Auditors(‘the Court’) found in its report (the ‘Court’s report’) that the annual accounts of the Joint Undertaking present fairly, in all material respects, the financial position of the Joint Undertaking at 31 December 2020, the results of its operations, its cash flows and the changes in net assets for the year then ended, in accordance with its financial regulation and with accounting rules adopted by the Commission’s accounting officer; notes, furthermore, that the underlying transactions to the accounts are legal and regular in all material respects;
2. Notes that the Joint Undertaking total available budget for year 2020, which includes re-entered unused appropriations of previous years, assigned revenues and reallocations to the following year, included EUR 218342 000 for commitment appropriations and EUR 215 849 000 for payment appropriations, and that the utilisation rate was 99,59 %

¹ OJ L 169, 7.6.2014, p. 152.

for commitment appropriations and 88,63 % for payment appropriations;

3. Notes from the Court's report that, at the end of 2020, the Union contributed EUR 573 197 000 for the co-financing of the Joint Undertaking's Seventh Framework programme activities, as transferred from the ARTEMIS and ENIAC Joint Undertakings in June 2014, and a further EUR 10 390 000 for the co-financing of the related administrative costs;
4. Notes that the accumulated commitment for Seventh Framework programme activities taken over by Joint Undertaking in June 2014, amounted to EUR 447 342 072 (EUR 101 425 148 from ARTEMIS and EUR 345 916 924 from ENIAC), of which the Joint Undertaking had de-committed approximately EUR 58 000 000 (approximately EUR 16 800 000 from ARTEMIS and EUR 41 200 000 from ENIAC) and paid EUR 386 767 877 (EUR 83 822 121 from ARTEMIS and EUR 302 945 756 from ENIAC) at the end of 2020; notes, moreover, that consequently EUR 2 544 641 (EUR 768 150 from ARTEMIS and EUR 1 776 491 from ENIAC) remains to be paid in the coming years;
5. Notes, in addition, from the Court's report that in regard to the Joint Undertaking's 2020 payment budget available for Seventh Framework programme projects (EUR 20 317 158), the implementation rate for payment appropriations was 70 %;
6. Notes that in its report the Court draws attention to the fact that the founding regulations of the predecessors of the Joint Undertaking, ARTEMIS and ENIAC, provided that their operational research and innovation activities under the Seventh Framework programme are supported through financial contributions from Participating States, of at least 1,8 times the Union's operational financial contribution, to be paid to project participants, and through in-kind contributions from private members, of at least the contribution amount of public members; notes with regret that neither the Joint Undertaking's 2020 provisional annual accounts nor its 2020 budgetary and financial management report disclose the following estimates of neither the financial contributions of Participating States to the Seventh Framework programme projects of ARTEMIS and ENIAC nor the in-kind contributions made by research and development organisations participating in Seventh Framework programme projects of ARTEMIS and ENIAC; notes the Joint Undertaking's reply that contrary to Horizon 2020, Seventh Framework programme regulations for its predecessors never foresaw or required such reporting and that at the time of ARTEMIS and ENIAC, after discussions with DG BUDG, it was decided, inter alia, not to include this information in the annual accounts; calls on the Joint Undertaking to report to the discharge authority in that regard;
7. Notes, from the Court's report, that, as regards the implementation of the Horizon 2020 budget, the Participating States are required to make financial contributions of at least EUR 1 170 000 to the operational activities of the Joint Undertaking and that at the end of 2020, the Participating States taking part in the 2014 - 2019 calls for proposals, signed contractual commitments amounting to EUR 936 588 004 and declared in total, financial contributions of EUR 374 748 810 (or 40 % of the total committed contributions), which they paid directly to the beneficiaries of the Horizon 2020 projects they supported; notes, moreover, that the difference between the amount of Participating States' financial contribution and the Union's financial contribution at the end of 2020,

is due to the fact that most Participating States recognise and report their costs to the Joint Undertaking only on the completion of the Horizon 2020 projects that they support;

8. Notes from the Court's report, furthermore, that the Joint Undertaking can calculate the actual amount of the industry members' in-kind contributions only after it has validated the contributions of the Participating States at the end of the programme; notes, therefore, that the Joint Undertaking estimates the industry members' in-kind contributions based on a "pro-rata temporis" methodology adopted by the its Governing Board; notes that this explains why at the end of 2020, the estimated and not yet validated amount of industry in-kind contributions is EUR 896 524 611, in comparison with the amount of validated industry in-kind contributions of EUR 180 275 376; notes, in addition, that based on project data for the Joint Undertaking's Horizon 2020 2014 to 2019 calls, as at 31 December 2020, the related industry members' obligations for in-kind contributions amount to EUR 1 384 176 208;
9. Notes that there are different procedures across the Joint Undertakings regarding the calculation for the in-kind contributions and calls for their harmonisation;
10. Notes that as regards the Joint Undertaking's 2020 budget available for Horizon 2020 projects, the implementation rates for commitment and payment appropriations were 100 % and 91 % respectively;
11. Notes from the Court's report that, in 2020, the Joint Undertaking reactivated EUR 57 259 000 of unused payment appropriations in the operational budget for Horizon 2020 activities; notes, however, the Joint Undertaking could only use EUR 39 981 000 (or 70 %) of the reactivated appropriations before using the appropriations of the year; notes the Joint Undertaking's reply that the timing of the reactivation during Q3 of 2020 was beyond the Joint Undertaking's intention and control due to a pending related request that was cleared only beginning of September 2020 and that however, as of the reactivation, all payments were executed using in priority reactivated appropriations, in line with its financial rules, and that, moreover, the Joint Undertaking is committed in reactivating any unused appropriations within three financial years and using them in priority according to its financial rules and it estimates that by the end of 2021, any remaining operational payment appropriations will be reactivated and consumed; calls on the Joint Undertaking to report to the discharge authority in that regard;

Performance

12. Notes that the Joint Undertaking uses common Horizon 2020 key performance indicators (KPIs) for monitoring performance and cross-cutting issues, as well as KPIs specific to the Joint Undertaking;
13. Notes that in 2020, the Joint Undertaking launched its last calls, namely two Research and Innovation Actions (RIA), one Innovation Action (IA) and one Coordination and Support Action (CSA), for which 44 eligible proposals were submitted and eventually eight RIA, six IA, and CSA proposals were funded; notes the global project portfolio comprising 96 projects; notes, moreover, the three Lighthouse Initiatives - Mobility.E, Industry4.E and Health.E that promote collaboration within the ECS community, and between the community and technology users, decision-making bodies, and society so

that technologies and innovations have a real and faster impact on business, the economy, and consumers;

14. Notes that, regarding gender balance in the Joint Undertaking's projects, the 2020 annual activity report indicates the total number of women and men engaged in projects and that the women involved in projects from the 2014-2018 calls amounted to 19 %, of which 66 % are involved in research activities and 34 % in non-research activities, and that of the remaining 81 % men, 80 % are involved in research while 20 % are involved in non- research activities;

Procurement and staff

15. Notes that, on 31 December 2020, the Joint Undertaking employed 29 staff, which included temporary and contract agents and seconded national experts; notes that, in September 2020, the Joint Undertaking launched a new recruitment procedure for the post of financial/administrative assistant; notes, moreover, that in May 2020, the Joint Undertaking's Governing Board adopted a new set of implementing rules to staff regulations;
16. Notes with concern the challenges associated with the COVID-19 pandemic for the staff of the Joint Undertaking, especially taking into account different living situations, lack of access to office space and possible effects of isolation; asks the Joint Undertaking to focus on the wellbeing, stress management and work and life balance of its staff; asks management of the Joint Undertaking to ensure there are appropriate support structures in place to ensure the psychological well-being of staff;
17. Notes from the Court's report that the Joint Undertaking has not planned to use all the modules of the e Procurement platform due to its low number of high value procurement procedures; nevertheless, in line with the principle of a single electronic data exchange, provided for by the Financial Regulation, invites the Joint Undertaking to join the Commission's eProcurement solution in order to ensure the competition on the broadest possible basis; notes that the Joint Undertaking made to the most possible extent use of the various service level agreements already concluded with relevant Commission services, as well as its private members and made use of inter-institutional framework contracts, and that in 2020, the Joint Undertaking ran very few procurement procedures mainly for low value contracts, as well as one re-opening of competition;

Internal controls

18. Notes that, in the course of 2020, the Joint Undertaking moved to a principle-based system to align its internal control framework (ICF) to the revised control framework adopted by the Commission; notes from the follow-up report to the 2019 discharge that the revised ICF was adopted by a governing board decision in August 2020 and that by the end of the year, the Joint Undertaking performed its first self-assessment; notes, in addition, that in 2020, a specific COVID-19 risk assessment was performed; notes, moreover, that Joint Undertaking's revised financial rules were adopted in March 2020;
19. Notes from the Court's report that administrative agreements concluded by the ARTEMIS and ENIAC Joint Undertaking with the national funding authorities (NFAs) have continued to apply since those Joint Undertakings merged to form the Joint Undertaking; notes that under these agreements, the ex-post audit strategies of

ARTEMIS and ENIAC relied heavily on the NFAs to audit project cost claims and that the Joint Undertaking has taken steps to assess the implementation of ex-post audits by the NFAs and has obtained written statements from the NFAs declaring that the implementation of their national procedures provides reasonable assurance as to the legality and regularity of transactions;

20. Notes, from the Court's report, moreover, that the significant variation in the methodologies and procedures used by the used by the Participating States' national funding authorities does not allow the Joint Undertaking to calculate a single reliable weighted error rate or a residual error rate for Seventh Framework programme payments; notes that for Seventh Framework programme projects, the payments made by the Joint Undertaking in 2020 amounted to EUR 14 287 435 (compared to EUR 20 305 796 in 2019), which represented 7,7 % (compared to 11,2 % in 2019) of the total operational payments made by the Joint Undertaking in 2020; notes that, for those payments, the Court applied the residual error rate established by the directorate-general for research and innovation for the whole Seventh Framework programme, which at the end of 2020 was 3,51 % at the end of 2020; notes the Joint Undertaking's reply that it took steps to address this recurring finding and considers that these measures (yearly NFA written statements) are adequate, as confirmed by the budgetary authority, and that the Joint Undertakings' founding regulations provided that "the ARTEMIS/ENIAC Member States may carry out any other checks and audits among the recipients of their national funding as they deem necessary and shall communicate the results to the ARTEMIS/ENIAC Joint Undertaking";
21. Notes, from the Court's report, moreover, that given the low percentage of Seventh Framework programme payments in 2020 (around 8,6 %), the residual error rate for the Joint Undertaking's total operational payments made in 2020, is therefore considered to be below the materiality threshold;
22. Notes from the Court's report, that the Commission's common audit service (CAS) carries out the ex-post audits of expenditure and that based on the audit results at the end of 2020, the Joint Undertaking reported a representative error rate for Horizon 2020 of 2,68 % and a residual error rate of 1,25 % ; notes that the Commission considered in its proposal for a Horizon 2020 regulation that the ultimate aim for the residual level of error at the closure of the programmes after the financial impact of all audits, correction and recovery measures will have been taken into account, is to achieve a level as close as possible to 2 %.";
23. Notes that the Court audited randomly sampled Horizon 2020 payments made in 2020 at the level of the final beneficiaries to corroborate the ex-post audit error rates; notes that these detailed audits revealed, in one case systemic errors of above 1 % of audited costs related to the calculation of declared personnel costs, and that in a second case, the beneficiary declared direct costs for the purchase of services from another beneficiary, who was part of the project consortium for which the beneficiary neither provided a duly justification nor proof that the procurement process ensured best value for money; notes the Joint Undertaking's reply that it addressed the identified findings with the respective beneficiaries; calls on the Joint Undertaking to report to the discharge authority developments in that regard;
24. Emphasises that, in the Court's annual report on the EU Joint Undertakings for 2020,

the Court found persistent systemic errors in the personnel costs declared by beneficiaries, in particular on the part of SMEs and new beneficiaries; notes that such errors were also regularly reported in the ex post audits of the CAS and its contracted auditors; highlights that, on page 39 of that report, the Court states that the streamlining of Horizon 2020 rules for the declaration of personnel costs and the wider use of simplified cost options is a precondition for future research framework programmes, in order to stabilise error rates to below materiality level; encourages the Joint Undertaking to strengthen its internal control systems given that SMEs and new beneficiaries are more error-prone;

Internal audit

25. Notes that the Commission's internal audit service performed an audit on Horizon 2020 grant agreement implementation and closing which was finalised in June 2020, concluding that overall, the Joint Undertaking has set up an efficient and effective internal control system in that regard, and issued two important recommendations on Monitoring compliance with dissemination, exploitation, and communication requirements, and on processes and procedures; notes that in January 2021 the IAS concluded that the recommendations have been adequately and effectively implemented.

INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE

Date adopted	28.2.2022
Result of final vote	+: 26 -: 2 0: 1
Members present for the final vote	Matteo Adinolfi, Gilles Boyer, Olivier Chastel, Caterina Chinnici, Lefteris Christoforou, Corina Crețu, Ryszard Czarnecki, José Manuel Fernandes, Luke Ming Flanagan, Daniel Freund, Isabel García Muñoz, Monika Hohlmeier, Jean-François Jalkh, Pierre Karleskind, Mislav Kolakušić, Joachim Kuhs, Claudiu Manda, Alin Mituța, Markus Pieper, Michèle Rivasi, Sándor Rónai, Petri Sarvamaa, Simone Schmiedtbauer, Angelika Winzig, Lara Wolters, Tomáš Zdechovský
Substitutes present for the final vote	Joachim Stanisław Brudziński, Mikuláš Peksa, Elżbieta Rafalska

FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE

26	+
ECR	Joachim Stanisław Brudziński, Ryszard Czarnecki, Elżbieta Rafalska
ID	Jean-François Jalkh
PPE	Lefteris Christoforou, José Manuel Fernandes, Monika Hohlmeier, Markus Pieper, Petri Sarvamaa, Simone Schmiedtbauer, Angelika Winzig, Tomáš Zdechovský
Renew	Gilles Boyer, Olivier Chastel, Pierre Karleskind, Alin Mituța
S&D	Caterina Chinnici, Corina Crețu, Isabel García Muñoz, Claudiu Manda, Sándor Rónai, Lara Wolters
The Left	Luke Ming Flanagan
Verts/ALE	Daniel Freund, Mikuláš Peksa, Michèle Rivasi

2	-
ID	Matteo Adinolfi, Joachim Kuhs

1	0
NI	Mislav Kolakušić

Key to symbols:

+ : in favour

- : against

0 : abstention