



Plenary sitting

A9-0095/2024

12.3.2024

REPORT

on discharge in respect of the implementation of the budget of the European High Performance Computing Joint Undertaking for the financial year 2022 (2023/2177(DEC))

Committee on Budgetary Control

Rapporteur: Michal Wiezik

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1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on discharge in respect of the implementation of the budget of the European High Performance Computing Joint Undertaking for the financial year 2022 (2023/2177(DEC))

The European Parliament,

- having regard to the final annual accounts of the European High Performance Computing Joint Undertaking for the financial year 2022,
- having regard to the Court of Auditors' annual report on the EU Joint Undertakings for the financial year 2022, 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 2022, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of 22 February 2024 on discharge to be given to the Joint Undertaking in respect of the implementation of the budget for the financial year 2022 (00000/2024 – C9-0000/2024),
- 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) 2021/1173 of 13 July 2021 on establishing the European High Performance Computing Joint Undertaking and repealing Regulation (EU) 2018/1488⁴, and in particular Article 19 thereof,
- 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 Council⁵,
- having regard to Rule 100 of and Annex V to its Rules of Procedure,

¹ OJ C, C/2023/1025, 16.11.2023.

² OJ C, C/2023/112, 12.10.2023.

³ OJ L 193, 30.7.2018, p. 1.

⁴ OJ L 256, 19.7.2021, p. 3.

⁵ OJ L 142, 29.5.2019, p. 16.

- having regard to the report of the Committee on Budgetary Control (A9-0095/2024),
- 1. Grants the Executive Director of the European High Performance Computing Joint Undertaking discharge in respect of the implementation of the Joint Undertaking's budget for the financial year 2022;
- 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 European High Performance Computing 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).

2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on the closure of the accounts of the European High Performance Computing Joint Undertaking for the financial year 2022 (2023/2177(DEC))

The European Parliament,

- having regard to the final annual accounts of the European High Performance Computing Joint Undertaking for the financial year 2022,
- having regard to the Court of Auditors' annual report on the EU Joint Undertakings for the financial year 2022, 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 2022, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of 22 February 2024 on discharge to be given to the Joint Undertaking in respect of the implementation of the budget for the financial year 2022 (00000/2024 – C9-0000/2024),
- 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) 2021/1173 of 13 July 2021 on establishing the European High Performance Computing Joint Undertaking and repealing Regulation (EU) 2018/1488⁴, and in particular Article 19 thereof,
- 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 Council⁵,
- having regard to Rule 100 of and Annex V to its Rules of Procedure,

¹ OJ C, C/2023/1025, 16.11.2023.

² OJ C, C/2023/112, 12.10.2023.

³ OJ L 193, 30.7.2018, p. 1.

⁴ OJ L 256, 19.7.2021, p. 3.

⁵ OJ L 142, 29.5.2019, p. 16.

- having regard to the report of the Committee on Budgetary Control (A9-0095/2024),
- 1. Approves the closure of the accounts of the European High Performance Computing Joint Undertaking for the financial year 2022;
- 2. Instructs its President to forward this decision to the Executive Director of the European High Performance Computing 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).

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 of the European High Performance Computing Joint Undertaking for the financial year 2022 (2023/2177(DEC))

The European Parliament,

- having regard to its decision on discharge in respect of the implementation of the budget of the European High Performance Computing Joint Undertaking for the financial year 2022,
- 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 (A9-0095/2024),
- A. whereas the European High Performance Computing (EuroHPC) Joint Undertaking (the ‘Joint Undertaking’) located in Luxembourg, was set up in October 2018 for a period until 31 December 2026¹;
- B. whereas in July 2021, the Council adopted a new founding Regulation extending the lifetime and remits of the Joint Undertaking under the Multiannual Financial Framework (MFF) 2021-2027, for the period ending on 31 December 2033²;
- C. whereas the new work programme for 2021 and 2022 including new activities and financing as set out in the new founding Regulation were only adopted by the Joint Undertaking’s governing board in December 2021 and that this delayed implementation of activities, development of internal control activities and recruitment;
- D. whereas the Joint Undertaking is a public-private partnership, enabling the pooling of resources from the Union, participating states, and private members for the development and deployment of high-performance computing in Europe;
- E. whereas its members are the Union, represented by the Commission, the participating states, and three private members, represented by the European Technology Platform for High Performance Computing, the Big Data Value association, and the European Quantum Industry Consortium;
- F. whereas, according to regulation (EU) 2018/1488, the participating states and private members were only required to contribute to the administrative costs from 2024 onwards; whereas this was repealed under the new regulation (EU) 2021/1173 and, since August 2021, the administrative costs are covered by the financial contributions of the

¹ Council Regulation (EU) 2018/1488 of 28 September 2018 establishing the European High Performance Computing Joint Undertaking (OJ L 252, 8.10.2018, p. 1).

² Council Regulation (EU) 2021/1173 of 13 July 2021 establishing the European High Performance Computing Joint Undertaking and repealing Regulation (EU) 2018/1488 (OJ L 256, 19.7.2021, p. 3).

Commission, on behalf of the Union (under Horizon 2020 and Connecting Europe Facility 1);

- G. whereas under the 2021-2027 MFF, the Joint Undertaking receives significantly more funds from the Horizon Europe, Digital Europe and Connecting Europe Facility programmes, to support the acquisition and development of high-performance computing and quantum computers as well as the upgrading and operation of the infrastructures for supercomputers;
- H. whereas, to increase transparency, the Joint Undertaking should disclose in its annual accounts, relevant information regarding members' contributions at programme level; whereas, for each programme under which they operate, the Joint Undertaking should present per member category up to the year-end, all relevant information made available by the members including the legal contribution targets set for the respective programme, the volume of contributions received, and the volume of legal commitments; whereas the Joint Undertaking should continue to improve the transparency;

General

- 1. Notes that the report of the Court of Auditors (the 'Court's report') finds that the accounts of the Joint Undertaking for the year ended 31 December 2022 present fairly, in all material respects, its financial position at 31 December 2022, the results of its operations, its cash flows, and the changes in net assets for the year ended, in accordance with its Financial Regulation and with accounting rules adopted by the Commission's accounting officer; notes, in addition, that according to the Court's report the underlying transactions to the accounts are legal and regular in all material respects;
- 2. Welcomes the Joint Undertaking's objective and role in developing a supercomputing ecosystem in Europe;
- 3. Notes, however, that the Court assessed the risk to the legality and regularity of recruitment procedures as medium for the Joint Undertaking, due to the need to recruit a large number of staff quickly, to implement its enhanced remits and activities under the 2021-2027 MFF;
- 4. Notes, in addition, that the risk related to the Joint Undertaking operational contract expenditure was assessed by the Court as medium due to its complex procurement procedures for high-value contracts;

Budgetary and financial management

- 5. Notes that, for 2022³, the available payment budget amounted to EUR 629,9 million (EUR 348,2 million in 2021) and the available committed budget amounted to EUR 1 374,5 million (EUR 753,4 million in 2021); notes that the available budget includes unused appropriations of previous years, which the Joint Undertaking re-entered in the budget of the current year, assigned revenues and reallocations to the next year;

³ Total budget includes operational budget (used for funding selected projects) and administrative (used for funding Programme Office activities) - Consolidated Annual Activity Report 2022.

6. Notes that the Court categorises the risk to budget management as medium because the complex and lengthy acquisition process for supercomputers;
7. Notes that due to the length of time it takes to procure supercomputers, the low implementation of both 2022 operational - commitment and payment appropriations were at 79% and 24% respectively (2% and 47% in 2021)⁴ - and administrative budgets - 45% for administrative commitment appropriations and 37% of its administrative payment appropriations;
8. Notes the risks in relation to programme implementation due to the possibility of the Joint Undertaking not achieving the minimum contributions targets for their private members by the end of the Horizon 2020 programme; understands that, according to the Joint Undertaking, the lower achievement rates are explained by the involvement of participating states;
9. Notes that, in 2022, the Joint Undertaking only implemented 45% of its administrative commitment appropriations and 37 % of its administrative payment appropriations, partly due to the partial completion of its recruitment plan for 2022 and to the no reallocation of significant amounts of unused payment appropriations of previous years when planning its 2022 budget; understands that the late adoption of the Joint Undertaking's new founding regulation made the achievement of its ambitious recruitment plan impossible;
10. Agrees with the Court that the Joint Undertaking should establish a time-scheduled action plan for finalising the implementation of projects approved under previous MFFs;
11. Is concerned that the Court assessed the information on members' contributions at programme level as insufficient;
12. Notes that in the Joint Undertaking's 2022 annual accounts, the amounts of contributions recognised per member category (Union and private members) differ significantly among each other, because Union cash contributions are validated and recognised when paid to the Joint Undertaking at the beginning of the project implementation, but members' in-kind contributions are only recognised after validation of the costs incurred and declared for project implementation; is concerned that the gap between the recognised amount of cash contributions on the one hand and in-kind contributions on the other hand, was not sufficiently addressed in the Joint Undertaking's 2022 annual accounts and could be improved in future by providing information on the Joint Undertaking members' legal commitments at year end, in terms of signed grant agreements and contracts; welcomes the commitment of the Joint Undertaking to fully address the issue in the next year's annual accounts;
13. Calls on the Joint Undertaking' to disclose important information regarding members' contributions at programme level, relevant for the complete communication of the Joint Undertaking's achievements at the year-end; notes, in particular, that the Joint Undertaking did not compare the contributions received from each member category up to the year-end under each programme with the legal contribution targets set for the

⁴ The very low commitment appropriations implementation of the 2021 operational budget was largely due to the delayed start of the Joint Undertaking under the 2021-2027 MFF and the transfer by the Commission and participating states of EUR 700 million of funds to the Joint Undertaking in December 2021.

respective programme;

14. Is worried with the Court's finding that private members will not achieve their minimum contribution target at the end of the programme implementation⁵;
15. Welcomes that, at the end of 2022, the Joint Undertaking fully committed the maximum Union operational contribution of EUR 526 million for signed grant agreements and contracts under the Horizon 2020 and Connecting Europe Facility (CEF 1) programmes; takes note with concern that, of this, around EUR 266,3 million (or 50,6 %) remains to be paid in the coming years for projects yet to be completed;
16. Notes that, at the end of 2022, the participating states signed contractual commitments amounting to EUR 447,3 million for the Joint Undertaking's Horizon 2020 and CEF 1 activities; notes that, in respect of these commitments, they declared financial contributions of EUR 124,8 million to the Joint Undertaking for pre-exascale⁶ supercomputers procured by the Joint Undertaking itself, and EUR 38 million of in-kind contributions related to the hosting entities' operating costs; notes, in addition, that the participating states paid EUR 48,2 million directly to the contractors of the petascale supercomputers that are jointly procured by the Joint Undertaking and the participating states; notes that the remaining difference between commitments and declared contributions arises from participating states only recognising and reporting their costs to the Joint Undertaking when the Horizon 2020 projects they support have been completed;
17. Notes, however, that, at the end of 2022, the Joint Undertaking's private members had only committed and reported EUR 11 million (or 2,6 %) in in-kind contributions for Horizon 2020 projects, a figure considerably below the minimum private members' target of EUR 420 million⁷ to be achieved by the end of the Horizon 2020 programme; notes that the Court found that the Joint Undertaking's current financing arrangements for Horizon 2020 grant actions only allow private members to provide in-kind contributions for one type of project (innovation projects, capped at 30 % of project costs); notes that, consequently, the Joint Undertaking's financing arrangements could not leverage private members' in-kind contributions at the level of the target set in its founding regulation for the Horizon 2020 programme;
18. Fears that the significant reduction in private members' in-kind contributions to the Joint Undertaking's operational activities presents a risk to the overall achievement of its parts of the Horizon 2020 research and innovation programme;
19. Agrees with the Court that to ensure the achievement of their private members' contribution targets for the 2021- 2027 MFF, the Joint Undertaking' should, based on a

⁵ To provide a complete picture of the Joint Undertaking's achievements for the Horizon 2020 and CEF 1 programmes, it is necessary to consider also the current level of the Joint Undertaking members' operational obligations in terms of signed grant agreements and contracts.

⁶ Exascale computing refers to computing systems capable of calculating at least "10¹⁸ IEEE 754 Double Precision (64-bit) operations (multiplications and/or additions) per second; it is a measure of supercomputer performance.

⁷ Minimum target set out in the Regulation (EU) 2021/1173.

strategic programme implementation plan, monitor the private members' individual contribution achievements on an annual basis;

20. Notes that, according to the Regulation (EU) 2021/1173⁸, the Joint Undertaking will have to implement projects amounting to EUR 7 billion, of which EUR 3 billion should be leveraged from the participating states and EUR 900 million from private members, in the form of cash and in-kind contributions; welcomes this significant increase, compared to the previous MFF, of around EUR 1,4 billion; regrets, however, that as the Joint Undertaking's financing arrangements remain the same for the 2021-2027 MFF, there is a high risk that the Joint Undertaking will not achieve the private members' contribution targets under the new founding Regulation; calls on the Commission to re-assess the feasibility of the current contribution targets from the private members in the new founding Regulation;

Procurement and staff

21. Is concerned that the Joint Undertaking's lengthy process, which must be in line with the EU Financial Regulation, for the acquisition of supercomputers significantly affected the implementation of the 2022 operational budget; understands that delays by Hosting Entities and supply issues for key components also contributed to the low implementation rate;
22. Notes that the lower implementation rate for the operational commitment budget arose from the fact that the Joint Undertaking could not make an important global commitment related to an exascale computer hosting agreement, due to delays in the negotiation process with the participating state and the hosting consortium;
23. Notes, moreover, that the main reasons for the low implementation rate of the operational payment budget were (i) delays in completing the pre-exascale supercomputers that prevented interim payments related to the Joint Undertaking's operating grants; (ii) delays in the procurement for supercomputers that prevented the related pre-financing payments; (iii) the postponement of the CEF 2 call on Hyperconnectivity to 2023 due to the need of a pre-study; and (iv) delays in beneficiaries' cost claims for ongoing research activities;
24. Notes, according to the Court's report, that the Commission's Internal Audit Service (IAS) carried out a limited review on the Joint Undertaking's human resource management in 2022; notes that, regarding recruitment planning, the review reported that the Joint Undertaking lacked a documented analysis of resource needs, based on a robust *ex-ante* workload assessment to better prioritise the planned recruitments;
25. Notes that, in response, in December 2022, the Joint Undertaking developed an action plan, which the IAS considered to be adequate;
26. Notes that the staffing level for the Joint Undertaking under the 2021-2027 MFF was set out in the legal financial statements included in the Commission's proposal for a new founding regulation⁹; notes, in addition, that, to implement around EUR 7 billion of funds

⁸ The new founding regulation repealed the obligation for participating states and private members to contribute to the administrative costs.

⁹ COM(2020)569.

under the 2021-2027 MFF, the Joint Undertaking received 39 additional staff posts to be recruited by 2023;

27. Notes with concern that, by the end of 2022, the Joint Undertaking had only recruited eight staff members and 20 by mid-2023, and therefore did not meet its 2022 recruitment target¹⁰; notes that the Court considers that this situation negatively impacted the implementation of the 2022 administrative budget; welcomes however the gender distribution of the staff in the Joint Undertaking in 2022;
28. Observes that the proportion of contractual staff remained high with 70% at the end of 2022;
29. Stresses that the absence of key staff could adversely affect business continuity and the achievement of the Joint Undertaking's objectives, particularly given the highly technical nature of its projects and the requirement for highly qualified staff with very specific knowledge;

Management and control systems

30. Notes that for Horizon 2020 and Horizon Europe co-financed expenditure, the Common Audit Service of the Commission's DG RTD is responsible for the *ex-post* audits; notes that for Horizon 2020 co-financed expenditure (clearings and final payments), the Joint Undertaking reported a representative error rate of 2,3% and a residual error rate of 1,9%¹¹;
31. Calls on the Joint Undertaking to include specific *ex-post* audits for CEF co-financed expenditure for the acquisition of supercomputers in their internal control system; notes, in addition, that for the Horizon Europe programme, *ex-post* audits have yet to be carried out, as the first interim payments are only expected in 2024;
32. Notes that, according to the Court's report, that Joint Undertaking performed on an ad-hoc basis risk-based *ex-ante* controls on risky projects, and that they had not yet implemented a structured risk-based approach to *ex-ante* controls by the end of 2022, notes, in particular that the Joint Undertaking had not aligned *ex-ante* controls to the high-risk factors identified by targeted risk assessments; notes, in addition, that they had not developed internal practical guidance on how to implement a risk-based monitoring, including instructions on how staff should use the risk management module available in COMPASS¹²;
33. Agrees with the Court that the Joint Undertaking should implement a structured risk-based approach to *ex-ante* controls covering relevant project and beneficiary-related risks; agrees, moreover, that the Joint Undertaking should develop internal, practical guidance

¹⁰ According to the Consolidated Annual Activity Report 2022 - 24 full time employees including the Executive Director as of 31 December 2022.

¹¹ Due to the absence of relevant expenditure, the low-risk nature of the implemented transactions and the absence of *ex-post* audit results for grants, no detected error rate was reported for Horizon Europe and Digital Europe Programme in 2021.

¹² Commission e-grant system.

on how to implement a risk-based monitoring at the level of projects and beneficiaries, and how staff should use the risk management module available in COMPASS;

34. Notes with concern that a Court's detailed analysis of a sample of the Joint Undertaking's reinforced monitoring cases revealed several weaknesses, which prevented their effective and efficient monitoring; notes, moreover, that in the Joint Undertaking specific control actions related to the identified risks were not defined, or the due date for their implementation was not set;
35. Supports the Court's assessment that the Joint Undertaking should ensure that all reinforced monitoring actions are accompanied by specific control actions targeting the identified risks, and that they are followed-up at a pre-defined deadline;
36. Draws attention to the fact that the beneficiary and/or project structure of the Joint Undertaking is changing significantly under the Horizon Europe programme, such as the increased number of SMEs, newcomers and larger consortia, as well as the requirement to only use open call procedures for Horizon Europe activities; underlines, therefore, that, as a result, the risk factors identified in previous programmes may no longer be relevant and new risk factors may emerge;

Follow-up of previous years' observations

37. Notes that "observations" in the Joint Undertakings specific annual reports are in fact "not timed recommendations" by the Court of Auditors (the 'Court'); notes that the Court annually follows-up on those observations by assessing their status as "open" or "closed";
38. Notes that from the nine observations issued by the Court in 2020 and 2021, only two (from 2021) are closed;
39. Notes that the remaining observations relate to (i) validation and certification of in-kind contributions, (ii) staff recruitment, (iii) low contributions from private members, (iv) low implementation rates, amongst others;
40. Notes that the Joint Undertaking in its reply acknowledges the Court's observations and will address the issues in its 2023 annual accounts.

**ANNEX: ENTITIES OR PERSONS
FROM WHOM THE RAPPORTEUR HAS RECEIVED INPUT**

Pursuant to Article 8 of Annex I to the Rules of Procedure, the rapporteur declares that he has received input from the following entities or persons in the preparation of the report, until the adoption thereof in committee:

Entity and/or person
Court of Auditors ('the Court')

The list above is drawn up under the exclusive responsibility of the rapporteur.

INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE

Date adopted	22.2.2024
Result of final vote	+ : 21 - : 1 0 : 0
Members present for the final vote	Gilles Boyer, Olivier Chastel, Caterina Chinnici, Carlos Coelho, Ryszard Czarnecki, Luke Ming Flanagan, Daniel Freund, Isabel García Muñoz, Monika Hohlmeier, Joachim Kuhs, Petri Sarvamaa, Eleni Stavrou, Angelika Winzig, Lara Wolters
Substitutes present for the final vote	Corina Crețu, Jozef Mihál, Andrey Novakov, Mikuláš Peksa, Sabrina Pignedoli, Michal Wiezik
Substitutes under Rule 209(7) present for the final vote	Ljudmila Novak, Mick Wallace

FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE

21	+
ECR	Ryszard Czarnecki
NI	Sabrina Pignedoli
PPE	Caterina Chinnici, Carlos Coelho, Monika Hohlmeier, Ljudmila Novak, Andrey Novakov, Petri Sarvamaa, Eleni Stavrou, Angelika Winzig
Renew	Gilles Boyer, Olivier Chastel, Jozef Mihál, Michal Wiezik
S&D	Corina Crețu, Isabel García Muñoz, Lara Wolters
The Left	Luke Ming Flanagan, Mick Wallace
Verts/ALE	Daniel Freund, Mikuláš Peksa

1	-
ID	Joachim Kuhs

0	0

Key to symbols:

+ : in favour

- : against

0 : abstention