

**RESOLUTION (EU) 2023/1972 OF THE EUROPEAN PARLIAMENT****of 10 May 2023****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 2021**

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 2021,
  - 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 (A9-0089/2023),
- A. whereas the European High Performance Computing Joint Undertaking (the 'Joint Undertaking') was set up in October 2018 for a period of until 31 December 2026 <sup>(1)</sup> and became autonomous in September 2020;
- B. whereas in July 2021, the Council adopted a new founding regulation extending the duration of the Joint Undertaking under the Multiannual Financial Framework (MFF) 2021-2027, for a period ending on 31 December 2033 <sup>(2)</sup> with the mission to develop, deploy, extend and maintain in the Union a world-leading federated, secure and hyper-connected supercomputing, quantum computing, service and data infrastructure ecosystem, and to support the development and uptake of demand-oriented and user-driven innovative and competitive supercomputing systems based on a supply chain that will ensure components, technologies and knowledge limiting the risk of disruptions and the development of a wide range of applications optimised for these systems, as well as to widen the use of that supercomputing infrastructure to a large number of public and private users, and support the twin transition and the development of key skills for European science and industry;
- C. whereas the Joint Undertaking founding members are the Union, represented by the Commission, the Participating States <sup>(3)</sup>, and two private partners, represented by the European Technology Platform for High Performance Computing and the Big Data Value associations; whereas at the end of 2021, the governing board of the Joint Undertaking accepted the membership request of a third private partner, the European Quantum Industry Consortium;
- D. whereas the maximum Union financial contribution to the Joint Undertaking (including EEA appropriations) under Regulation (EU) 2021/1173 is to amount to EUR 3,081 billion, including EUR 92 million for administrative costs, provided that that amount is matched or exceeded by the contribution of Participating States;

**General**

1. Welcomes the fact 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 2021 present fairly, in all material respects, its financial position on 31 December 2021, 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; highlights the fact that the underlying transactions to the accounts are legal and regular in all material respects;

<sup>(1)</sup> 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).

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

<sup>(3)</sup> Member States and Associated Countries that have chosen to become members of the Joint Undertaking: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, North Macedonia, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden and Turkey.

2. Notes, nevertheless, that the Court considered the risk to the reliability of the annual accounts to be medium, due to the procedures regarding asset recognition and management not yet having been established, and due to the requirements for the reporting, certification and validation of its members' in-kind contributions;
3. Notes that the Joint Undertaking will receive additional funding of around EUR 2 billion from the Digital Europe programme, as well as additional funding of EUR 200 million from the Connecting Europe Facility to support the acquisition, deployment, upgrading and operation of the infrastructures for supercomputers and quantum computers;
4. Acknowledges the fact that the Horizon Europe 2020 envisages ambitious goals for the Joint Undertaking, which can be achieved only if effective solutions that address the weaknesses in the internal control systems and prepare for the future challenges arising from increased responsibilities, such as in the area of human resources management and planning, are designed and implemented; points out, in this context, that particularly complicated and burdensome calculations and reporting requirements represent a significant risk of error and calls, therefore, to explore the possibilities of simplifications wherever possible and compatible with the existing legal framework;
5. Notes that 2021 was the first full year of operation of the Joint Undertaking since becoming autonomous in September 2020;
6. Notes that there is no harmonised definition of administrative costs among the joint undertakings, which is a basis for calculating the financial contributions of their members and a precondition for rendering such costs comparable; calls, with this in mind, for common guidelines for all Joint Undertakings to take a harmonised approach for the classification of certain administrative cost expenditure categories, such as expenditure for consultations, studies, analyses, evaluations and technical assistance;

### **Budget and financial management**

7. Notes that, for 2021, the budget in new payment appropriations amounted to EUR 207,5 million (compared to EUR 181,5 million in 2020) and in new commitment appropriations to EUR 722,4 million (compared to EUR 509,1 million in 2020); notes that the available payment budget amounted to EUR 348,2 million (compared to EUR 181,5 in 2020) and the available committed budget amounted to EUR 753,4 million (compared to EUR 509,1 in 2020); 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;
8. Notes with concern that the Court categorised the risk to budget management as medium for the Joint Undertaking because of weaknesses observed in the budget planning and monitoring process and the complexity and multiannual nature of its contracts and grant actions; calls on the Joint Undertaking to address this issue in the future budget and monitoring procedures;
9. Notes that, at the end of 2021, the Joint Undertaking had already committed EUR 180 million for the 50 % co-financing under Horizon 2020 research and innovation grants, which is the minimum target under Regulation (EU) 2018/1488, and that the Participating States are to finance the remaining 50 % of the total project costs, and that private members are to contribute on top of the maximum eligible costs of the grant actions; notes, however, with concern that, by that date, the private members had only reported EUR 4,2 million of in-kind contributions; notes that the Court considers that there is a high risk that the EUR 420 million of private members' contributions, as required under Regulation (EU) 2018/1488, will not be achieved by the end of the implementation of the grant project;

10. Notes that Council Regulation (EU) 2021/1173 requires the Joint Undertaking implements projects amounting to EUR 7 billion, of which EUR 3,1 billion should be leveraged from the Participating States and EUR 900 million from private members in form of cash and in-kind contributions; highlights the fact that this represents a significant increase compared to the preceding MFF under which the Joint Undertaking had to implement projects of around EUR 1,4 billion and, therefore, the risk that the Joint Undertaking will not achieve the other members' contribution targets under Regulation (EU) 2021/1173 is significantly increased;
11. Notes that, regarding the Joint Undertaking's 2021 budget available for operational projects, the implementation rates for operational commitment and payment appropriations were 2 % and 47 % respectively; notes that the very low implementation rate for commitment appropriations is largely explained by the delayed start of the Joint Undertaking under the MFF 2021-2027 in July 2021 and the transfer by the Commission and Participating States of EUR 700 million of funds to the Joint Undertaking in December 2021; notes that delays by hosting entities and supply issues for key components caused by the global pandemic situation in the constructions of the buildings (data centres), necessary to host and operate the already acquired supercomputers, also contributed to the low implementation rate;
12. Notes that the low implementation rate of the operational payment appropriations was mainly caused by the delayed start of some new infrastructure projects, resulting in a delay in pre-financing payments planned for 2021, as well as by the unexpected additional time needed for the *ex ante* control work on deliverables, concerning the first interim grant payments for Horizon 2020 projects;
13. Notes, as regards the administrative commitment and payment appropriations, that the Joint Undertaking did not consider sufficiently, in the planning of its 2021 administrative budget, the reallocation of the significant amounts of unused payment appropriations of previous years; notes, moreover, that the reallocated budget appropriations from previous years were not used before the new appropriations of the year;
14. Notes with concern that the Joint Undertaking still lacks reliable procedures for certifying and validating in-kind contributions, reported by its private members and Participating States and that it is the only Joint Undertaking that does not have a strategic implementation plan for the achievement of other members' contributions; calls on the Joint Undertaking to inform the discharge authority on the steps taken to address the lack of such a plan; emphasises that the Joint Undertaking should implement reliable procedures for the certification and validation of in-kind contributions, as well as a strategic implementation plan (road map) with realistic milestones and annual contribution targets for both Participating States and private members at programme level; notes, furthermore, the Joint Undertaking's acknowledgement of the action proposed by the Court and its commitment to address this matter in a timely manner;
15. Notes that under the MFF 2021-2027, the Horizon Europe and Digital Europe programmes remain the main financial resource for joint undertakings, with a total budget of EUR 15,1 billion for co-financing the joint undertakings' research and innovation activities and that the joint undertakings implement EUR 11,6 billion, representing around 12 % of the total Horizon Europe budget of EUR 95,5 billion; welcomes, on the other hand, the fact that the Joint Undertaking and the future Chips Joint Undertaking <sup>(4)</sup> will implement large capacity-building, deployment and investment projects related to the European Digital Single Market strategy under the Digital Europe Programme and that the Joint Undertaking and the future Chips Joint Undertaking will receive EUR 3,4 billion in Union funds from the Digital Europe Programme, representing 39 % of the programme's total funding of EUR 8,6 billion, to implement those activities;

<sup>(4)</sup> In February 2022, the Commission proposed to amend and rename the Key Digital Technologies Joint Undertaking into the future Chips Joint Undertaking. The Chips Joint Undertaking is intended to have the additional remit to implement capacity-building activities of the Chips for Europe Initiative under the 2021-2027 MFF. In this context, the Chips Joint Undertaking will use budget from the Digital Europe programme to foster the development of innovative next-generation semiconductor technologies and reinforce the European chips production capability.

16. Notes, based on the Court's report, that, under Regulations (EU) 2021/695<sup>(3)</sup> and (EU) 2021/1173, the Joint Undertaking is obliged to introduce a new centralised management process, the central management of financial contributions (CMFC) system, to manage the financial contributions of its Participating States;
17. Notes that, under the planned CMFC system, each Participating State can opt to pay to the Joint Undertaking its respective financial contribution at project level for beneficiaries established in its State and, during that process, each Participating State also has a right of veto on all issues concerning the use of its own national financial contributions paid to the Joint Undertaking for applicants established in its State, in line with the Union's financial and competition rules, allowing a Participating State to decide, on the basis of national strategic priorities, whether or not to support a national beneficiary of a selected and approved research and innovation project; notes, on the other hand, that the Joint Undertaking will have to execute the co-financing payments for all Participating States that have chosen to entrust it with their financial contributions; notes that the Joint Undertaking will have to manage and monitor two alternative processes of supporting administrative agreements with Participating States; notes that each Participating State's national funding authority has to sign an agreement with the Joint Undertaking, to either entrust it with the payment of national contributions, or to coordinate national transfer of funds agreements for the payments to beneficiaries and reporting on contributions; notes that, according to the Joint Undertaking's timeline, the agreements should have been signed before the Joint Undertaking signed its first model grant agreements for calls launched under the MFF 2021-2027; calls on the Joint Undertaking to explore simplifications for this burdensome procedure and to inform the discharge authority about possible solutions;
18. Notes, based on the Court's observations, that the additional resources needed for implementing the planned CMFC system was neither assessed by the Commission nor included in the Joint Undertaking's initial staff resource estimates for the implementation of the Joint Undertaking's new research and innovation agenda; notes that this lack of planning in the introduction of the CMFC system combined with the staff situation, and the lack of IT tools and support may negatively affect the implementation of the Joint Undertaking's programmes and the achievement of the other members' contributions; notes with concern that the CMFC system must be managed manually, which will be human resource intensive; requests that the discharge authority is informed of implementation status of this new centralised system;

### **Procurement and staff**

19. Highlights the fact that the Court assessed the risk for contract expenditure and public procurement procedures as medium for the Joint Undertaking, due to the complex procurement procedures for high-value contracts;
20. Notes that, at the end of 2021, the Joint Undertaking employed 15 statutory members of staff and 3 interim members of staff who assist the finance and communications team; notes, in addition, that since the seconded national expert post allocation was discontinued under Regulation (EU) 2021/1173, the recruitment was put on hold and will be replaced by the recruitment of a programme officer in 2022;
21. Regrets that the main concerns identified by the Court are related to the fact that the Joint Undertaking has been understaffed, and that the lack of sufficient statutory staff has led to increased use of interim staff, which can lead to weaknesses in financial, budgetary and staff management, and may pose risks in terms of continuity of activities, retention of key competences and lack of sufficient internal controls, and, consequently, may negatively affect achievement of the Joint Undertaking's objectives; welcomes the fact that, under Regulation (EU) 2021/1173, the Joint Undertaking is able to take steps to rectify this issue and has initiated the recruitment process while prioritising essential positions which relate to key functions of the Joint Undertaking and risk mitigation, such the internal auditor positions;

---

<sup>(3)</sup> Regulation (EU) 2021/695 of the European Parliament and of the Council of 28 April 2021 establishing Horizon Europe – the Framework Programme for Research and Innovation, laying down its rules for participation and dissemination, and repealing Regulations (EU) No 1290/2013 and (EU) No 1291/2013 (OJ L 170, 12.5.2021, p. 1).

22. Notes that, under Regulation (EU) 2021/1173, the Joint Undertaking will have to implement more than EUR 7 billion in funds and, for this, it needs to recruit an additional 39 members of staff to achieve its planned level of 54 statutory members of staff by the end of 2023 <sup>(6)</sup>; notes that, due to the delayed adoption of Regulation (EU) 2021/1173, the Joint Undertaking launched the necessary recruitment processes for seven top priority posts only in late 2021, and that the Joint Undertaking could not increase its staff during 2021;
23. Notes that, with regard to the Court's findings of the precarious staffing situation in the Joint Undertaking in 2021, increased efforts are needed in the human resources field in general and in the involvement of the Commission's resource planning in order to improve the human resources planning and specifically the recruitment process, to avoid cases of long-term vacancies, high staff turnover, high numbers of external staff, dependence on the expertise of a few staff, excessive workloads and resulting staff absences and inefficiencies, and instead offer attractive and socially fair employment conditions that support the achievement of the Joint Undertaking's objectives;
24. Notes that, according to the annual activity report 2021, out of a total number of 45 experts participating in evaluations and project reviews, 47 % were female and 53 % were male; welcomes these figures and encourages the Joint Undertaking to further improve the gender balance among the Joint Undertaking's members of staff;
25. Notes that the Joint Undertaking is working with the Commission's Directorate-General for Budget to clarify the situation on the Joint Undertaking's staff pension contributions, in line with the Court's recommendations of the made in late 2021; calls on the Joint Undertaking not to wait for the final calculation of outstanding contributions, but to consider this obligation when planning its future budget, such as through a corresponding accrual for pension contributions, and calls on the Commission to take steps to avoid similar issues in the future;

### **Performance**

26. Notes that the Joint Undertaking's research and innovation actions in 2021 focused mostly on completing of calls and actions initiated in 2019 and 2020 (legacy projects);
27. Welcomes the fact that thirteen consortia signed agreements with the Joint Undertaking in 2021 and began to work in April 2021; notes that the projects cover the three topics of the call 'Towards Extreme Scale Technologies and Applications', and use up more than the 70 % of the designated funding available under Horizon Europe 2020;
28. Highlights the fact that the different consortia will work on research and innovation activities that will help Europe to become globally competitive in the field of supercomputing and that ten of these projects will address EuroHPC-01-2019 'Extreme scale computing and data driven technologies' and that another two projects, MICROCARD and REGALE, will focus topic EuroHPC-02-2019 on 'HPC and data centric environments and application platforms';
29. Notes, moreover, that the exaFOAM project will concentrate on topic EuroHPC-03-2019 on 'Industrial software codes for extreme scale computing', the Joint Undertaking launched a call covering the call 'Training and Education on High Performance Computing' for the design and delivery of a European master programme in high performance computing, the call was launched early in the year and by October the Joint Undertaking was able to announce that the project would go ahead as lead by the University of Luxembourg and in collaboration with seven other European universities; is convinced that this initiative will facilitate the education and professional development of people with high potential, who are pivotal for the success of the Joint Undertaking;

<sup>(6)</sup> COM(2020) 569 of 19.9.2020.

30. Notes that, in 2021, the Joint Undertaking prepared the second phase of the European processor initiative project, a cornerstone of the European initiative towards strategic autonomy in high performance computing, chip technologies and infrastructure which started in 2022 and to build on the achievements of the first phase;

#### **Internal control**

31. Welcomes the fact that, in 2020, the Joint Undertaking developed an action plan to implement the remaining actions of the 17 internal control principles of the Commission's internal control framework in 2021, and that due to the absence of key administrative staff (as such, head of finance and administration and head of internal audit capability), the Joint Undertaking had not yet approved several important internal control actions within the 2021 deadlines set in its action plan;
32. Notes, with concern, that, despite the risks the Joint Undertaking is facing due to its increased budget, it only performed a simplified annual risk assessment exercise; notes, in addition, that, by the end of 2021, the Joint Undertaking had not fully completed the development of a control and monitoring strategy nor a business continuity and IT security plan; underlines that these delays increased the Joint Undertaking's internal control risk for 2021;
33. Welcomes the fact that in 2022 all joint undertakings have started implementing actions for error rate reductions in line with the action proposed by the Court including exploring the options of simplified forms of costs such as unit costs, lump sums and flat rates, targeting more error-prone types of beneficiaries such as small and medium-sized enterprises and new beneficiaries;

#### **Prevention and management of conflicts of interest, and anti-fraud strategy**

34. Welcomes the fact that the Joint Undertaking has developed a comprehensive set of rules and procedures for its staff to have a clear framework in which to work and that these rules are effective across the entire governance structure of the Joint Undertaking, and that the conflict of interest procedures are in place for the members of both the governing body and the advisory bodies;
35. Notes with appreciation, in addition, the fact that specific measures have been implemented for the prevention and management of conflicts of interest of experts in charge of the evaluation of grant applications and of the review of projects and tenders;
36. Highlights the fact that the Joint Undertaking adopted and started to implement the common research anti-fraud strategy and that for areas of expenditure other than grants, the Joint Undertaking applies *mutatis mutandis* and by analogy, the anti-fraud strategy approved by the Commission's Directorate-General for Communications Networks, Content and Technology Risk management.
-