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## TEXTS ADOPTED

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### **P9\_TA(2024)0277**

### **Discharge 2022: Key Digital Technologies Joint Undertaking**

**1. European Parliament decision of 11 April 2024 on discharge in respect of the implementation of the budget of the Key Digital Technologies Joint Undertaking (now the Chips Joint Undertaking) for the financial year 2022 (2023/2180(DEC))**

*The European Parliament,*

- having regard to the final annual accounts of the Key Digital Technologies 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' replies<sup>1</sup>,
- having regard to the statement of assurance<sup>2</sup> 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 (06182/2024 – C9-0118/2024),
- 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

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<sup>1</sup> OJ C, C/2023/1025, 16.11.2023.

<sup>2</sup> OJ C, C/2023/112, 12.10.2023.

541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012<sup>1</sup>, and in particular Article 71 thereof,

- 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 642/2014<sup>2</sup>, and in particular Article 26 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 Council<sup>3</sup>,
  - 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 (A9-0101/2024),
1. Grants the Executive Director of the Chips 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 Chips 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).

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<sup>1</sup> OJ L 193, 30.7.2018, p. 1.

<sup>2</sup> OJ L 427, 30.11.2021, p. 17.

<sup>3</sup> OJ L 142, 29.5.2019, p. 16.

## **2. European Parliament decision of 11 April 2024 on the closure of the accounts of the Key Digital Technologies Joint Undertaking (now the Chips Joint Undertaking) for the financial year 2022 (2023/2180(DEC))**

*The European Parliament,*

- having regard to the final annual accounts of the Key Digital Technologies 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' replies<sup>1</sup>,
- having regard to the statement of assurance<sup>2</sup> 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 (06182/2024 – C9-0118/2024),
- 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 966/2012<sup>3</sup>, and in particular Article 71 thereof,
- 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 642/2014<sup>4</sup>, and in particular Article 26 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,

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<sup>1</sup> OJ C, C/2023/1025, 16.11.2023.

<sup>2</sup> OJ C, C/2023/112, 12.10.2023.

<sup>3</sup> OJ L 193, 30.7.2018, p. 1.

<sup>4</sup> OJ L 427, 30.11.2021, p. 17.

Euratom) 2018/1046 of the European Parliament and of the Council<sup>1</sup>,

- 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 (A9-0101/2024),
1. Approves the closure of the accounts of the Key Digital Technologies Joint Undertaking for the financial year 2022;
  2. Instructs its President to forward this decision to the Executive Director of the Chips 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).

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<sup>1</sup> OJ L 142, 29.5.2019, p. 16.

**3. European Parliament resolution of 11 April 2024 with observations forming an integral part of the decision on discharge in respect of the implementation of the budget of the Key Digital Technologies Joint Undertaking (now the Chips Joint Undertaking) for the financial year 2022 (2023/2180(DEC))**

*The European Parliament,*

- having regard to its decision on discharge in respect of the implementation of the budget of the Key Digital Technologies 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 (A9-0101/2024),
- A. whereas the Key Digital Technologies Joint Undertaking (the ‘KDT Joint Undertaking’), located in Brussels, was set up for the period ending on 31 December 2031 in November 2021 under the Horizon Europe programme by Council Regulation (EU) 2021/2085<sup>1</sup>;
- B. whereas the KDT Joint Undertaking replaced and succeeded the Electronic Components and Systems for European Leadership Joint Undertaking (ECSEL JU) that was established under the Horizon 2020 programme in May 2014 by Council Regulation (EU) No 561/2014<sup>2</sup> for a period until 31 December 2024; whereas, on 26 June 2014, the ECSEL JU replaced and succeeded the European Nano-electronic Initiative Advisory Council and the Joint Undertaking for Advanced Research and Technology for Embedded Intelligence and Systems;
- C. whereas the KDT Joint Undertaking is a public-private partnership focusing on research and innovation in key digital technologies essential for Europe's competitive leadership in digital economy, in particular, in the electronic components and systems sector;
- D. whereas its founding members are the Union, represented by the Commission, the Participating States, and three industry associations, namely the European Association on Smart System Integration, the Association for European Nano Electronics Activities, and the Inside Industry Association, representing

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<sup>1</sup> 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 642/2014 (OJ L 427, 30.11.2021, p. 17).

<sup>2</sup> Council Regulation (EU) No 561/2014 of 6 May 2014 establishing the ECSEL Joint Undertaking (OJ L 169, 7.6.2014, p. 152).

stakeholders in micro-electronics and nano-electronics, smart integrated systems and embedded or cyber-physical systems;

- E. whereas in July 2023 pursuant to Council Regulation (EU) 2023/1782<sup>1</sup> the KDT Joint Undertaking was transformed into the Chips Joint Undertaking; whereas according to the amendment, the Chips Joint Undertaking's enhanced remit is to foster the development of innovative next-generation semiconductor technologies and reinforce the European chip-production capability under the "Chips for Europe Initiative"; whereas Union contributions to the KDT Joint Undertaking will increase from EUR 1,8 billion to EUR 4,2 billion, with EUR 2,7 billion to be funded from the Horizon Europe programme, and EUR 1,5 billion from the Digital Europe programme;
- F. whereas, to increase transparency, the KDT 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 KDT Joint Undertaking should present per member category up to the year-end, all relevant information including the legal contribution targets set for the respective programme, the volume of contributions received, and the volume of legal commitments; whereas the KDT Joint Undertaking should continue to improve transparency;

### ***General***

- 1. Notes that the changes in the size of the KDT Joint Undertaking's budget largely depend on the implementation phase of the multiannual research and innovation programmes, which the KDT Joint Undertaking is implementing;
- 2. Welcomes the KDT Joint Undertaking's contribution to reinforcing EU's strategic autonomy in the electronic components and systems sector;
- 3. Notes that the KDT Joint Undertaking started to launch the first Horizon Europe calls already end 2021; notes in addition that the 2022 budget includes the commitment budget for the Horizon Europe calls planned for 2022, and the payment budget for the related pre-financing payments;

### ***Budgetary and financial management***

- 4. Notes from the report of the Court of Auditors (the 'Court's report') that the annual accounts of the KDT Joint Undertaking present fairly,

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<sup>1</sup> Council Regulation (EU) 2023/1782 of 25 July 2023 amending Regulation (EU) 2021/2085 establishing the Joint Undertakings under Horizon Europe, as regards the Chips Joint Undertaking (OJ L 229, 18.9.2023, p. 55).

in all material respects, the financial position of the Joint Undertaking at 31 December 2022, the results of its operations, its cash flows and the changes in net assets for the year that ended, in accordance with its financial regulation and with account 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;

5. Notes that in 2022 the total available appropriations reached EUR 261,4 million for commitment (compared to EUR 214,0 in 2021) and EUR 222,2 million for payment appropriations (compared to EUR 199,3 in 2021)<sup>1</sup>; notes in addition that the budget implementation reached 100 % in terms of commitment appropriations and 55 % in terms of payment appropriations;
6. Notes that in its 2022 annual accounts the KDT Joint Undertaking did not disclose important information regarding members' contributions at programme level, relevant for the complete communication of the KDT Joint Undertaking's achievements at the year-end; notes, in particular, that the KDT 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 respective programme; notes, moreover, that in these accounts, the KDT Joint Undertaking did not disclose the Participating States' contributions to the KDT Joint Undertaking<sup>2</sup>; calls on the KDT Joint Undertaking to address these issues and welcomes its commitment to provide information, in particular regarding the comparison of the legal targets of the respective programmes;
7. Notes that most of the KDT Joint Undertaking's private members' in-kind contributions remain to be validated (EUR 1 172,5 million);
8. Notes that at the end of 2022 the KDT Joint Undertaking had fully committed the maximum Union operational contribution of EUR 1 169,7 million for signed grant agreements under the Horizon 2020 programme and that, of this committed amount, around EUR 139,2 million (or 11,9 %) remains to be paid in the coming years for projects yet to be completed;
9. Notes that at the end of 2022 the KDT Joint Undertaking estimated the private members' potential final in-kind contributions for operational Horizon 2020 activities at EUR 1 579 million or 97,6 % of the minimum target of EUR 1 617.5 million; notes that the KDT Joint Undertaking can only calculate and validate private members' in-

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<sup>1</sup> Available budget includes unused appropriations of previous years, which the JU re-entered in the budget of the current year, assigned revenues and reallocations to the next year.

<sup>2</sup> European Court of Auditors Annual report on EU Joint Undertakings for the financial year 2022.

kind contributions once all payments have been made by both the KDT Joint Undertaking and the Participating States and all end-of-project certificates and related certificates of financial statements have been received; notes that, in this context, and given that at the end of 2022 only a limited number of Horizon 2020 projects had been finalised, the validated industry in-kind contributions amounted to EUR 406,5 million (or 25 %) of the target;

10. Notes that, based on the KDT Joint Undertaking's Public Authorities Board funding decisions for the calls for proposals from 2014 to 2020, the Court of Auditors (the 'Court') estimated that, at the end of 2022, the Participating States signed contractual commitments amounting to EUR 1 106,2 million (or 95 %) of the target and that of this amount, they declared total financial contributions of EUR 495,3 million, which they paid directly to the national beneficiaries of the Horizon 2020 projects they supported; notes that the difference arises because Participating States only recognise and report their costs to the KDT Joint Undertaking on the completion of the Horizon 2020 projects they support;
11. Notes that the implementation of the 2022 budget payments for Horizon 2020 activities worsened as beneficiaries faced rising costs and delivery problems;
12. Notes that for Horizon 2020 activities, the KDT Joint Undertaking received no new operational commitment appropriations, as the KDT Joint Undertaking had finished its last call for proposals by the end of 2020; notes that the implementation rate for the operational payment appropriations fell to 74 % (compared to 85 % in 2021), which, according to the KDT Joint Undertaking, was due to the problems beneficiaries faced arising from COVID-19; notes, moreover, that for a considerable number of ongoing Horizon 2020 projects, the technical activities were delayed either because of shortage of chips materials or because staff was not able to access the development and testing facilities and therefore, these projects had to be amended or prolonged and final payments postponed to 2023;
13. Echoes the Court's observation that the KDT Joint Undertaking should establish a time-scheduled action plan for finalising the implementation of projects approved under previous Multiannual Financial Frameworks (MFFs);
14. Notes that, regarding the implementation of the Horizon Europe programmes, at the end of 2022, the Commission made cash contributions of EUR 171,1 million, of which the KDT Joint Undertaking used EUR 42,3 million for pre-financing payments related to the first grant agreements concluded under Horizon Europe;

15. Notes that, at the end of 2022, the implementation rate regarding the KDT Joint Undertaking's administrative payment budget (Title 2) was low at 63 %; notes that, according to the KDT Joint Undertaking's 2022 budgetary and financial management report, this was mainly due to the postponement of the IT tools in support of the central management of financial contributions, and the reduced communication activities;
16. Notes, in addition, the KDT Joint Undertaking saw a decrease in its operational budget implementation rate owing to the rising costs and delivery problems faced by beneficiaries in the wake of the COVID-19 crisis and the war of aggression against Ukraine;

### ***Procurement and staff***

17. Notes, from the consolidated annual activity report 2022, that procurement and contracts are managed in accordance with the provisions of the KDT Joint Undertaking's financial rules and coordinated within its administration and finance team;
18. Notes, moreover, that in the context of sound financial management and efficiency, the KDT 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 also made use of inter-institutional framework contracts (such as IT services and equipment, interim staff services and external audit services);
19. Notes that, in 2022, the KDT Joint Undertaking ran very few procurement procedures, essentially for low value contracts and that no procurement procedures related to operational activities were launched during that year;
20. Notes that the KDT Joint Undertaking's staff establishment plan for 2022 provides for 30 temporary agents or contract agents and that, at the end of 2022, the KDT Joint Undertaking employed 25 statutory members of staff, with 8 nationalities (8 BE, 5 FR, 4 ES, 2 BG, 2 EL, 2 RO, 1 IT, 1 PL), including 11 male and 14 female members of staff;
21. Notes that six external recruitment procedures were launched in 2022; executive director, accounting and finance correspondent, programme office, budget officer, financial assistant, head of sector, positions to be filled in 2023;
22. As for the staff turnover, the Head of Communications retired on 1 April 2022, the accounting correspondent left the KDT Joint Undertaking on 1 October 2022 and the budget officer left on 1 November 2022, the executive director's contract ended on 31 October 2022;

### ***Management and control***

23. Notes that, for Horizon 2020 and Horizon Europe expenditure, the Common Audit Service of the Commission's Directorate-General for Research and Innovation is responsible for the ex-post audits, for Horizon 2020 expenditure (clearings and final payments), the KDT Joint Undertaking reported a representative error rate of 2,6 % and a residual error rate of 0,8 %<sup>1</sup>; notes 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;
24. Notes that to assess the operational payment controls of the KDT Joint Undertaking, the Court audited randomly sampled Horizon 2020 payments made in 2022, at the level of the final beneficiaries<sup>2</sup>; notes that the Court found no errors or control weaknesses at the KDT Joint Undertaking beneficiaries sampled;
25. Welcomes that the KDT Joint Undertaking implemented a risk-based monitoring of projects in line with the Commission's baseline, as well as a risk assessment of small and medium sized enterprises and newcomers; notes, however, that the KDT Joint Undertaking has not yet developed internal guidelines to consolidate the processes; notes that for the KDT Joint Undertaking, the risk of errors in grant payments was mitigated by the fact that the Participating States performed detailed *ex ante* controls on the eligibility of project costs reported for national co-financing, for the beneficiaries operating in their national territory;
26. Notes with satisfaction that Participating States closely cooperated with the KDT Joint Undertaking and notified it of detected major errors, irregularities, and registered bankruptcies on a timely basis; notes, furthermore, that contrary to other joint undertakings, the 90 % threshold for pre-financing was applied at the beneficiary level, and any changes to the cost budget among consortia members required an amendment to the grant agreement; notes that the KDT Joint Undertaking controlled the fulfilment of these specific criteria outside of COMPASS<sup>3</sup>, and project officers made standardised manual checks in Excel spreadsheets;
27. Agrees with the Court that the KDT Joint Undertaking should develop internal, practical guidance 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;
28. Calls on the KDT Joint Undertaking to address weaknesses in the use

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<sup>1</sup> KDT Joint Undertaking 2022 consolidated annual activity report, chapter 4.1.1.1.

<sup>2</sup> For the grant payment transactions tested at the beneficiaries, the reporting threshold for quantifiable errors is 1 % of the audited costs.

<sup>3</sup> The Commission e-grant system.

of the reinforced monitoring tool;

29. Notes that, according to the Court, specific control actions related to the identified risks were not defined, or the due date for their implementation was not set; notes that upon expiry of the defined due date, the reinforced monitoring flag was neither renewed nor closed; notes, moreover, that, additionally, the risk level was not reassessed by the officer after the implementation of the control actions;
30. Agrees with the Court that the KDT 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;

***Follow-up of previous years' observations***

31. Notes that "observations" in the KDT Joint Undertaking's specific annual reports are in fact "not timed recommendations" by the Court; notes that ECA annually follows-up on those observations by assessing their status as "open" or "closed";
32. Notes that, in 2021, the Court issued three observations, of which two are closed; the open observation relates to the need to recruit more members of staff to reach the planned 50 statutory staff by 2025, as the KDT Joint Undertaking will implement projects of about EUR 10,9 billion under the 2021-2027 MFF.