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ANNEX 2 – PART 1/2

ANNEX

to the

PROPOSAL FOR A COUNCIL REGULATION

on establishing the European High Performance Computing Joint Undertaking

{SWD(2020) 179 final}

LEGISLATIVE FINANCIAL STATEMENT

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LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Council Regulation on establishing the European High Performance Computing Joint Undertaking

1.2. Policy area(s) concerned (*Programme cluster*)

Research and Innovation & European Strategic Investments
(Advanced Computing - Horizon Europe Cluster 4, Digital, Industry and Space
High Performance Computing – DEP Strategic Objective 1)

1.3. The proposal/initiative relates to:

- a new action
- a new action following a pilot project/preparatory action¹
- the extension of an existing action
- a merger or redirection of one or more actions towards another/a new action

1.4. Grounds for the proposal/initiative

1.4.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative

The aims of the EuroHPC JU are 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; support the production of 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; widen the use of this supercomputing infrastructure to a large number of public and private users, and support the development of key skills for European science and industry.

1.4.2. Added value of Union involvement

The added value of union involvement includes:

- Increasing the level of funding in HPC at European level in a single and coordinated effort with Member/Participating States.
- Enhanced coordination and pooling of EU and national investments (based on SRIA)
- Rationalised implementation of national and EU investments and programmes, contributing to increasing the overall HPC investments in Europe
- Providing the EU with the best supercomputers in the world, which could not be acquired by single Participant States alone.

¹ As referred to in Article 58(2)(a) or (b) of the Financial Regulation.

- Facilitating European Institutions/users access to the best supercomputer resources in Europe

The EuroHPC will dramatically increase the computing power supply for EU users, contribute to provide an independent European source of key technologies changing the landscape of the European supply ecosystem, and foster and widen the use of HPC across the EU

1.4.3. *Lessons learned from similar experiences in the past*

The existing EuroHPC JU has already acquired solid working experience, with extensive discussions of the stakeholders on the governance, administration and other operational and implementation aspects from which the following main lessons learnt so far can be summarised as follows:

- Simplification of the co-funding scheme: The combination of EU and national funds in the different EuroHPC activities needs to be simplified and optimised.
- More flexibility in defining the acquisition time and technology of new supercomputing systems
- More flexibility in the resource allocation of the EuroHPC systems.
- Well-defined access policies for the industrial/commercial use of the EuroHPC infrastructure that would enable the full exploitation of the EuroHPC capabilities in either pre-competitive research access, or in commercial terms of use
- A clearer framework for collaboration with relevant stakeholders: PRACE and GEANT. Specific arrangements may need to be established with PRACE for the tasks related to the allocation of the access time to the JU's systems, and with GEANT for procuring dedicated connectivity for the EuroHPC supercomputers.
- A better definition of the different contributions to the activities of EuroHPC. For example, there is a need to further define the in-kind contributions of the Participating States and of the Private Members to the EuroHPC JU; and to better define the costs that EuroHPC can/cannot support for the acquisition and operations of supercomputers.
- More flexibility in the contribution of Private Members and other private actors to the activities of the EuroHPC JU

1.4.4. *Compatibility and possible synergy with other appropriate instruments*

Synergies in Horizon Europe (H-E)

Successor to ECSEL Joint Undertaking
Big Data, Robotics & AI
Quantum Technologies FET Flagship
EOSC

Synergies in DEP

AI
Cybersecurity
Advanced digital skills

1.5. Duration and financial impact

limited duration

- in effect from 01/01/2021 to 31/12/2033
- Financial impact from 2021 to 2027 for commitment appropriations and from 2021 to 2033 for payment appropriations.

unlimited duration

- Implementation with a start-up period from YYYY to YYYY,
- followed by full-scale operation.

1.6. Management mode(s) planned²

Direct management by the Commission

- by its departments, including by its staff in the Union delegations;
- by the executive agencies

Shared management with the Member States

Indirect management by entrusting budget implementation tasks to:

- third countries or the bodies they have designated;
 - international organisations and their agencies (to be specified);
 - the EIB and the European Investment Fund;
 - bodies referred to in Articles 70 and 71 of the Financial Regulation;
 - public law bodies;
 - bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;
 - bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;
 - persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.
- *If more than one management mode is indicated, please provide details in the 'Comments' section.*

Comments

² Details of management modes and references to the Financial Regulation may be found on the BudgWeb site:
<https://myintracomm.ec.europa.eu/budgweb/EN/man/budgmanag/Pages/budgmanag.aspx>

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

The activities of the Joint Undertaking will be subject to continuous monitoring and periodic reviews in accordance with its financial rules, to ensure both the highest impact and excellence, as well as the most efficient use of resources. The outcomes of monitoring and periodic reviews shall feed into the evaluations of the Joint Undertaking as part of Horizon Europe evaluations as specified in Article 47 of Regulation establishing Horizon Europe.

In addition, the Commission will carry out an interim evaluation with the assistance of independent experts based on a transparent process no later than four years after the start of Horizon Europe implementation. The evaluation will examine how the Joint Undertaking fulfils its mission according to its economic, technological, scientific, societal and policy objectives, and evaluate the effectiveness, efficiency, relevance, coherence, and Union added value of its activities as part of Horizon Europe. The evaluation will assess its synergies and complementarities with relevant European, national and, where relevant, regional initiatives, including synergies with other parts of Horizon Europe (such as missions, clusters or thematic/specific programmes). Impacts achieved at Union and national level, taking into account the component of synergies and policy retrofitting will be given particular attention.

The evaluations will also include an assessment of the long-term scientific, societal, economic and policy-relevant impact of the Joint Undertaking and will include an assessment of the most effective policy intervention mode for any future action, as well as the positioning of any possible renewal of the Joint Undertaking in the overall European Partnerships landscape and its policy priorities.

2.2. Management and control system(s)

2.2.1. *Justification of the management mode(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed*

The Commission's internal auditor shall exercise the same powers over the Joint Undertaking as those exercised in respect of the Commission. Moreover, the Governing Board may arrange, as appropriate, for the establishment of an internal audit capability of the Joint Undertaking.

In compliance with Article 154 of Regulation (EU, Euratom) No 1046/2018, the Joint Undertaking will respect the principles of sound financial management, transparency and non-discrimination and will guarantee a level of protection of the financial interests of its members equivalent to that required under that Regulation.

Ex-post audits of expenditure on indirect actions will be carried out in compliance with the Horizon Europe Framework Programme as part of the Horizon Europe Framework Programme indirect actions.

In order to protect the financial interests of the Union, the Commission will in compliance with the Financial Regulation supervise the activities of the Joint Undertaking, in particular by carrying out audits and evaluations on the programme implementation, apply procedures for the examination and acceptance of the accounts and exclude from Union financing expenditure disbursements which have

been made in breach of the applicable rules. It may also suspend and interrupt payments if it detects financial or administrative irregularities.

2.2.2. *Information concerning the risks identified and the internal control system(s) set up to mitigate them*

The main risks identified is incorrect payment of expenditure to participants in indirect actions and incorrect implementation of the procurements of the EuroHPC supercomputers. The financial management will follow the Financial Regulation of the Joint Undertaking implementing the respective administrative and financial processes of the respective funding programs (i.e. Horizon Europe, Digital Europe, Connecting Europe Facility-2), including making use of the common IT tools.

The specific risk of conflicts of interest inherent to a Public-Private Partnership is addressed by a clear separation of decision powers between the Governing Board – setting the strategy and the work plans, determining the conditions for the calls for proposals and the calls for tender and deciding on the allocation of public funding.

Insufficient contributions from the Participating States puts at risk the acquisition or operation of the pre-exascale supercomputers, either the contributions are insufficient to acquire the supercomputers, to operate them over their economic lifecycle, or the contributions are insufficient to acquire supercomputers with a performance level that would rank them among the top three in the world. A procurement by the EuroHPC Joint Undertaking will only be launched when a firm commitment of the Participating States is received as part of the eligibility criteria in the call for expression of interest for hosting an EuroHPC supercomputer, covering the total cost of ownership.

In accordance with the Horizon Europe Regulation, Participating States should entrust the Joint Undertaking with the implementation of their contribution to their national participants in indirect actions. To safeguard the Union's interests, the Participating States and the Joint Undertaking should conclude legally binding agreements committing Participating States to the payment of the full amount of their contribution to indirect actions throughout the lifetime of the initiative. Such agreements should be concluded in the context of the annual budgetary procedure and programming of the Joint Undertaking. Only after that and in line with the Joint Undertaking's financial rules, the authorising officer should make the budgetary and legal commitments for those indirect actions.

2.2.3. *Estimation and justification of the cost-effectiveness of the controls (ratio of "control costs ÷ value of the related funds managed"), and assessment of the expected levels of risk of error (at payment & at closure)*

As part of the Joint Undertakings created under Horizon Europe the EuroHPC Joint Undertaking will be part of the audit strategy of the Commission. In particular, the indirect actions implemented by the Joint Undertaking will be monitored by the CIC to ensure an error rate at the same level as the other actions funded under Horizon Europe.

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures, e.g. from the Anti-Fraud Strategy.

The Commission or its representatives and the Court of Auditors have the power of audit, on the basis of documents and on-the-spot, over all grant beneficiaries, contractors and subcontractors who receive EU funds.

The European Anti-fraud Office (OLAF) and the European Public Prosecutor's Office (EPPO) may carry out investigations, including on-the-spot checks and inspections in accordance with the provisions and procedures laid down in Council Regulation (Euratom, EC) No 2185/96³ and Regulation (EC, Euratom) No 883/2013 of the European Parliament and of the Council⁴, with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the European Union in connection with a grant agreement or a contract concerning EU funding.

Without prejudice to the above, grant agreements and contracts resulting from the implementation of this Regulation shall expressly empower the Commission, the Court of Auditors and OLAF to conduct such audits, on-the-spot checks and inspections.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading of the multiannual financial framework and new expenditure budget line(s) proposed

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Heading 1 Single Market, Innovation and Digital – Horizon Europe	Diff./Non-diff. ⁵	from EFTA countries ⁶	from candidate countries ⁷	from third countries	within the meaning of Article [21(2)(b)] of the Financial Regulation
1 - Single Market, Innovation and Digital	01 02 02 42 01 – HE - Cluster Digital, Industry and Space — High-Performance Computing joint undertaking (EuroHPC) Support expenditure	Diff.	YES	YES	YES	YES
	01 02 02 42 02 – HE - Cluster Digital, Industry and Space — High-Performance Computing joint undertaking (EuroHPC) Operational expenditure					
	02 04 02 11 01 – DEP - High-Performance Computing joint undertaking (EuroHPC) Support expenditure					
	02 04 02 11 02 – DEP - High-Performance Computing joint undertaking (EuroHPC) Operational expenditure					
	02 03 03 - CEF Digital					

³ Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2).

⁴ Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.9.2013, p. 1).

⁵ Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

⁶ EFTA: European Free Trade Association.

⁷ Candidate countries and, where applicable, potential candidates from the Western Balkans.

Commitment appropriations (EUR million to three decimal places)

budget line	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027	Post 2027	TOTAL
01 02 02 42 01 – HE - Cluster Digital, Industry and Space — High-Performance Computing joint undertaking (EuroHPC) Support expenditure ⁸	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.		p.m.
01 02 02 42 02 – HE - Cluster Digital, Industry and Space — High-Performance Computing joint undertaking (EuroHPC) Operational expenditure	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.		p.m.
02 04 02 11 01 – DEP - High-Performance Computing joint undertaking (EuroHPC) Support expenditure	2,017	3,149	3,660	3,733	3,808	3,884	9,748		30,000
02 04 02 11 02 – DEP - High-Performance Computing joint undertaking (EuroHPC) Operational expenditure	397,983	386,851	396,340	146,267	296,192	346,116	400,251		2.370,000
02 03 03 - CEF Digital	10,000	20,000	40,000	70,000	20,000	20,000	20,000		200,000
Total expenditure	410,000	410,000	440,000	220,000	320,000	370,000	430,000		2.600,000

⁸ The HE contribution cannot be indicated at this stage. The following tables of this Financial Statement indicate only contributions related to DEP and CEF. It is intended that HE contribution will be commensurate to the current annual contribution to EuroHPC.

3.2. Estimated impact on expenditure

3.2.1. Summary of estimated impact on expenditure

EUR million (to three decimal places)

Heading of multiannual financial framework	1	1 - Single Market, Innovation and Digital
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Joint Undertaking ⁹¹⁰¹¹			2021	2022	2023	2024	2025	2026	2027 ¹²	Post 2027	TOTAL
Title 1	Commitments	(1)	0,402	1,434	1,911	1,949	1,988	2,028	6,205		15,917
	Payments	(2)	0,402	1,434	1,911	1,949	1,988	2,028	2,068	4,137	15,917
Title 2	Commitments	(1a)	1,615	1,715	1,749	1,784	1,820	1,856	3,544		14,083
	Payments	(2a)	1,615	1,715	1,749	1,784	1,820	1,856	1,894	1,650	14,083
Title 3	Commitments	(3a)	407,983	406,851	436,340	216,267	316,192	366,116	420,251		2.570,000
	Payments	(3b)	122,000	225,000	350,000	185,000	290,000	345,000	400,000	653,000	2.570,000
TOTAL appropriations for Joint Undertaking	Commitments	=1+1a +3a	410,000	410,000	440,000	220,000	320,000	370,000	430,000	-	2.600,000
	Payments	=2+2a +3b	124,017	228,149	353,660	188,733	293,808	348,884	403,962	658,787	2.600,000

⁹ This table includes the EU contribution from DEP and CEF Digital Programmes only.

¹⁰ Amounts in Titles 1 and 2 represent the EU contribution to the administrative costs of the Joint Undertaking. The other remaining part comes from contributions by the other Joint Undertaking members as shown in section 3.2.5.

¹¹ Payment appropriations for Titles 1 and 2 are based on a yearly consumption of all corresponding commitment appropriations, while for Title 3 they are determined by taking into account the nature of the indirect actions and their payment schedule (prefinancing, interim payments and payment of the balance).

¹² Titles 1 and 2 for year 2027 contain the commitments for the year and the frontloading of the commitments for the remaining years of the JU in the period 2027-2033.

EUR million (to three decimal places)

		2021	2022	2023	2024	2025	2026	2027	<i>Post 2027</i>	TOTAL
Human Resources		p.m	p.m	p.m	p.m	p.m	p.m	p.m	p.m	p.m
Other administrative expenditure		p.m	p.m	p.m	p.m	p.m	p.m	p.m	p.m	p.m
TOTAL DG	Appropriations	p.m	p.m	p.m	p.m	p.m	p.m	p.m	p.m	p.m

EUR million (to three decimal places)

		2021	2022	2023	2024	2025	2026	2027	<i>Post 2027</i>	TOTAL
TOTAL appropriations for the envelope of the Programme - Heading 1¹³ of the multiannual financial framework	Commitments	410,000	410,000	440,000	220,000	320,000	370,000	430,000	-	2.600,000
	Payments	124,017	228,149	353,660	188,733	293,808	348,884	403,962	658,787	2.600,000

Heading of multiannual financial framework	7	‘Administrative expenditure’
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¹³ The appropriations required for human resources and other expenditure of an administrative nature outside Heading 7 correspond to the amounts covered by the Union financial contribution. The above amounts do not include the contribution from Member States to the administrative costs of the Competence Centre, commensurate to the Union financial contribution.

EUR million (to three decimal places)

DG CNECT (4 FTE STATUTORY AD, 2 FTE AC)		2021	2022	2023	2024	2025	2026	2027	Post 2027	TOTAL
Human resources ¹⁴		0,760	0,760	0,760	0,760	0,760	0,760	0,760	p.m	5,320
Other administrative expenditure		p.m	p.m	p.m	p.m	p.m	p.m	p.m	p.m	p.m
TOTAL appropriations under HEADING 7 of the multiannual financial framework	(Total commitments = Total payments)	0,760	0,760	0,760	0,760	0,760	0,760	0,760	p.m	5,320

EUR million (to three decimal places)

		2021	2022	2023	2024	2025	2026	2027	Post 2027	TOTAL
TOTAL appropriations across HEADINGS of the multiannual financial framework	Commitments	410,760	410,760	440,760	220,760	320,760	370,760	430,760		2.605,320
	Payments	124,777	228,909	354,420	189,420	294,568	349,644	404,722	658,787	2.605,320

¹⁴ Covering the administration of DEP and CEF Digital actions. The FTE costs are determined on the basis of the average yearly cost of AD (EUR 150 000) and CA (EUR 80 000) staff.

3.2.2. *Estimated impact on JU's human resources*

- The proposal/initiative does not require the use of appropriations of an administrative nature
- The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

Staffing numbers (in headcounts / FTE)

	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027	Post 2027	TOTAL
Officials (AD Grades)									
Officials (AST grades)									
Contract staff	20	25	30	30	30	30	30		
Temporary staff	14	22	27	27	27	27	27		
Seconded National Experts									
TOTAL	34	47	57	57	57	57	57		

EUR million (to three decimal places)

	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027	Post 2027	TOTAL
Officials (AD Grades)									
Officials (AST grades)									
Contract staff	1,019	1,624	1,988	2,028	2,069	2,110	2,152	4,304	17,294
Temporary staff	1,148	2,863	3,584	3,656	3,729	3,804	3,880	7,759	30,423
Seconded National Experts									
TOTAL	2,168	4,488	5,572	5,684	5,798	5,914	6,032	12,063	47,717

Estimated impact on the staff (additional FTE) – establishment plan¹⁵

Function group and grade	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028	Year 2029	Year 2030	Year 2031	Post 2031
AD16												
AD15												
AD14												
AD13												
AD12												
AD11												
AD10												
AD9												
AD8												
AD7												
AD6												
AD5												
AD Total	14	22	27	27	27	27	27					
AST11												
AST10												
AST9												
AST8												
AST7												
AST6												
AST5												
AST4												
AST3												
AST2												
AST1												
AST Total												
AST/SC 6												
AST/SC 5												
AST/SC 4												
AST/SC 3												
AST/SC 2												
AST/SC 1												
AST/SC Total												

Estimated impact on the staff (additional) – external personnel

Contract agents	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028	Year 2029	Year 2030	Year 2031	Post 2031
Function group IV												
Function group III												
Function group II												

¹⁵ The JU staffing table includes also 16 FTE for the HE related part. These staff numbers related to this part remain stable as compared to the current EUR HPC staffing (16 FTE) and will cover also the implementation of the legacy of the current EUR HPC JU.

Function group I												
Total	20	25	30	30	30	30	30					

Seconded national experts	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028	Year 2029	Year 2030	Year 2031	Post 2031
Total												

3.2.3. Estimated requirements of human resources Commission

- The proposal/initiative does not require the use of human resources.
- The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full time equivalent units

Years		2021	2022	2023	2024	2025	2026	2027
• Establishment plan posts (officials and temporary staff)								
Headquarters and Commission's Representation Offices		4	4	4	4	4	4	4
Delegations								
Research								
• External staff (in Full Time Equivalent unit: FTE) - AC, AL, END, INT and JED ¹⁶								
Heading 7								
Financed from HEADING 7 of the multiannual financial framework	- at Headquarters	2	2	2	2	2	2	2
	- in Delegations							
Financed from the envelope of the programme ¹⁷	- at Headquarters							
	- in Delegations							
Research								
Other (specify)								
TOTAL		6	6	6	6	6	6	6

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary staff	
External staff	

¹⁶ AC= Contract Staff; AL = Local Staff; END = Seconded National Expert; INT = agency staff; JPD= Junior Professionals in Delegations.

¹⁷ Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

3.2.4. *Third-party contributions*¹⁸

The proposal/initiative:

- does not provide for co-financing by third parties
- provides for the co-financing by third parties estimated below:

– Appropriations in EUR million (to three decimal places)

	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027	Post 2027	TOTAL
Financial contribution to the administrative costs of JU covered by the Participant States	2,295	3,175	3,175	3,175	3,175	3,175	3,175	8,655	30,000
Financial contributions to the administrative costs by the Private members/Associated Partners (Art 22.3.b SBA)	0,000	0,000	1,000	1,000	1,000	1,000	1,000	1,000	6,000
Financial contributions to operational costs by the Participating States	407,705	406,825	436,825	216,825	316,825	366,825	418,170	0,00	2 570,000
In kind contributions to operational activities by the Private members/Associated Partners (Art 22.3.d SBA)									
In kind contributions to operational activities by Participating States									
TOTAL appropriations co-financed	410,000	410,000	441,000	221,000	321,000	371,000	422,345	9,655	2 606,000

¹⁸ The Third-party contributions will have to be updated to reflect the effect of additional contributions from the Horizon Europe programme

3.3. Estimated impact on revenue

- The proposal/initiative has no financial impact on revenue.
- The proposal/initiative has the following financial impact:
 - on own resources
 - on other revenue

please indicate, if the revenue is assigned to expenditure lines

EUR million (to three decimal places)

Budget revenue line:	Impact of the proposal/initiative ¹⁹						
	2021	2022	2023	2024	2025	2026	2027
Article							

For assigned revenue, specify the budget expenditure line(s) affected.

Other remarks (e.g. method/formula used for calculating the impact on revenue or any other information).

¹⁹ As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 20 % for collection costs.