

RESOLUTION (EU) 2019/1546 OF THE EUROPEAN PARLIAMENT**of 26 March 2019****with observations forming an integral part of the decision on discharge in respect of the implementation of the budget for the Innovative Medicines Initiative 2 Joint Undertaking for the financial year 2017**

THE EUROPEAN PARLIAMENT,

- having regard to its decision on discharge in respect of the implementation of the budget of the Innovative Medicines Initiative 2 Joint Undertaking for the financial year 2017,
 - having regard to Rule 94 of and Annex IV to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A8-0104/2019),
- A. whereas the Joint Undertaking for the implementation of the Joint Technology Initiative on Innovative Medicines ('IMI Joint Undertaking') was set up in December 2007 for a period of 10 years to improve significantly the efficiency and effectiveness of the drug development process with the long-term aim that the pharmaceutical sector produce more effective and safer innovative medicines;
- B. whereas following the adoption of Council Regulation (EU) No 557/2014 ⁽¹⁾ in May 2014 the Innovative Medicines Initiative 2 Joint Undertaking ('IMI 2 Joint Undertaking') replaced the IMI Joint Undertaking in June 2014 with the aim of finalising research activities of the Seventh Framework Programme and extended the lifetime of the Joint Undertaking until 31 December 2024;
- C. whereas the Union, which is represented by the Commission, and the European Federation of Pharmaceutical Industries and Associations are the founding members of the Joint Undertaking;
- D. whereas the maximum contribution for the period of 10 years from the Union to the IMI Joint Undertaking is EUR 1 000 000 000, to be paid from the budget of the Seventh Framework Programme and the founding members are to contribute equally to the running costs, each with an amount not exceeding 4 % of the total Union contribution;
- E. whereas the maximum contribution for the period of 10 years from the Union to the IMI 2 Joint Undertaking is EUR 1 638 000 000, to be paid from the budget of Horizon 2020 and the members, other than the Commission, have to contribute 50 % of the running costs and should contribute to operational costs through cash or in-kind contributions, or both, equal to the financial contribution of the Union;

Budgetary and financial management

1. Notes that, in the European Court of Auditors' ('the Court') opinion, the accounts of the IMI 2 Joint Undertaking for the year ended on 31 December 2017 present fairly, in all material respects, the financial position of the IMI 2 Joint Undertaking at 31 December 2017, the results of its operations, its cash flows, and the changes in net assets for the year then ended, in accordance with its Financial Regulation and with accounting rules adopted by the Commission's accounting officer and are based on internationally-accepted accounting standards for the public sector;
2. Notes the clean opinion of the Court on the legality and regularity of transactions underlying the annual accounts of the IMI 2 Joint Undertaking for the year 2017 which are legal and regular in all material respects;
3. Notes that the final 2017 budget available for the Seventh Framework Programme and Horizon 2020 programme implementation included commitment appropriations of EUR 322 396 498 and payment appropriations of EUR 206 372 367; notes that the utilisation rates for commitment appropriations were 97,07 % (an increase of 2,99 % compared to 2016);

⁽¹⁾ Council Regulation (EU) No 557/2014 of 6 May 2014 establishing the Innovative Medicines Initiative 2 Joint Undertaking (OJ L 169, 7.6.2014, p. 54).

4. Regrets to note that payment appropriations were for the fourth consecutive year below 75 %: in 2017 they were at 71,96 %; takes note that this low implementation was mainly due to a reduction or postponement of clinical trials within some large and complex projects of the anti-microbial resistance and Ebola programmes and to delays in concluding grant agreements for calls under Horizon 2020; invites the IMI 2 Joint Undertaking to present updated information to the discharge authority and to improve the payment appropriations for the procedure next year;
5. Welcomes that the number of payments increased by 9,33 % (from 75 % to 82 %); points out that the paid amount decreased due to the higher amount of the costs recognised against pre-financing already paid to IMI Joint Undertaking and IMI 2 Joint Undertaking projects (clearings increased by 189 %, from EUR 20 347 000 to EUR 58 846 383);
6. Acknowledges the inherent limitations in the forecasting of payment appropriation process; notes with regret that these limitations result in weaknesses when planning and monitoring payment appropriations, reflected in EUR 78 700 000 near the end of 2017 of unused payment appropriations from previous years; welcomes the corrective measures put in place by the IMI 2 Joint Undertaking to break the cycle of over budgeting; notes that the IMI 2 Joint Undertaking governing board decided to reduce the operational payment appropriations of the given year by EUR 56 000 000 and the accumulated unused from previous years by EUR 25 800 000;
7. Notes that out of the EUR 1 000 000 000 of the Seventh Framework Programme funds allocated to the IMI Joint Undertaking, by the end of 2017 the IMI 2 Joint Undertaking had made commitments of EUR 966 060 000 and payments of EUR 719 978 000; observes that the high level of outstanding payments of EUR 246 082 000 (25,47 %) was mainly due to the delayed start of the Seventh Framework Programme activities during the first years of the IMI Joint Undertaking;
8. Notes that out of the EUR 1 000 000 000 of contributions to be made by the industry members to the activities of the IMI Joint Undertaking, by the end of 2017 the IMI 2 Joint Undertaking had validated in-kind and cash contributions of EUR 551 800 000 (EUR 529 900 000 in-kind and EUR 21 900 000 in cash contributions); points out that a further EUR 153 000 000 of in-kind contributions without validation had been reported by the members to the IMI 2 Joint Undertaking; highlights the fact that consequently, at the end of 2017, the in-kind and cash contributions of the industry members totalled EUR 705 100 000, compared to the Union's cash contributions to the Seventh Framework Programme activities of the IMI Joint Undertaking, which amounted to EUR 827 200 000;
9. Notes that out of the EUR 1 680 000 000 of Horizon 2020 funds allocated to the IMI Joint Undertaking, by the end of 2017 the IMI 2 Joint Undertaking had made commitments of EUR 819 010 000 (50 %) and payments of EUR 179 650 000 (10,97 % of the allocated funds and 21,93 % of the committed funds) for the implementation of 13 calls for proposals; acknowledges the fact that the low level of payments is due to the time required by project consortia to conclude Horizon 2020 grant agreements with the industry partners, which delays IMI Joint Undertaking planned pre-financing for the given year, and due to the duration of the projects, often spanning over 5 years, bringing a large share of the payments beyond 2020;
10. Notes that out of the EUR 1 638 000 000 of in-kind and cash contributions to be made by the industry members and associated partners to the activities of the IMI 2 Joint Undertaking, EUR 82 500 000 had been validated by the Executive Director and a further amount of EUR 50 300 000 had been reported by the end of 2017; notes in addition that the Executive Director had validated cash contributions by the industry members of EUR 7 600 000; notes moreover that consequently, at the end of 2017, the total contributions of the industry members to the Horizon 2020 activities of the IMI 2 Joint Undertaking amounted to EUR 140 400 000, compared to the Union's cash contribution of EUR 157 300 000; highlights the fact that, at this stage of programme implementation, commitments of EUR 391 000 000 of Union funds and EUR 381 000 000 of industry in-kind contributions have been allocated to 40 Horizon 2020 projects (of which 37 were still running at the end of 2017);
11. Notes that, on 31 December 2017, the staff total posts filled of the IMI 2 Joint Undertaking was 49, 8 more than the previous year;

Performance

12. Welcomes that the absence of established key performance indicators (KPIs) is no longer an issue under Horizon 2020; regrets the slow progression in fulfilling some of the KPIs specific to IMI Joint Undertaking that were set for the duration of the whole programme (less than 60 % of the third set of 2017 target KPIs were reached); welcomes the IMI 2 Joint Undertaking governing board decision to approve a new set of IMI Joint Undertaking specific KPIs better aligned with the programme objectives;
13. Observes that the management cost ratio (administrative/operational budget) remains below 5 %, thus pointing to rather lean and efficient organisational structure of the IMI 2 Joint Undertaking;
14. Welcomes that the 2016 interim value of leverage effect of 0,96 almost reached the target leverage effect over the whole 2014-2020 period;
15. Observes that IMI 2 Joint Undertaking's calls are open to newcomers through several modes; notes however that participation of associated partners is still low considering the objectives established in the IMI 2 Joint Undertaking's Regulation and will need to be scaled up in the remaining years;
16. Welcomes the fact, that all calls for proposals were published and closed according to the respective work plans and that the results regarding 'time-to-grant' and 'time-to-pay' remained well below the defined targets;
17. Welcomes the strategy to involve SMEs as IMI Joint Undertaking's beneficiaries and thus contributing to the creation of a value chain; further welcomes the involvement of the patients organisations; acknowledges that at the end of 2017 approximately 50 % of IMI Joint Undertaking's projects had patient organisations engaged in some sort of way;

Anti-fraud strategy

18. Notes that the IMI 2 Joint Undertaking has an anti-fraud strategy aligned with the common anti-fraud strategy of the Directorate-General for Research and Innovation; welcomes the fact that in 2017 no new cases were reported to the European Anti-Fraud Office (OLAF); notes, however, that two requests for information were received from OLAF, one in which no measures were needed and other for which the IMI 2 Joint Undertaking set up the recovery procedure;

Internal audit

19. Notes that the Commission's Internal Audit Service (IAS) issued the final audit report on 'H2020 Grant Process the IMI 2 Joint Undertaking' in February 2017; highlights the fact that the IAS recommended that IMI 2 Joint Undertaking explains the activities undertaken by its advisory bodies and their interaction with the European Federation of Pharmaceutical Industries and Associations (EFPIA) among others, provide information about the role and activities undertaken by EFPIA representatives or ensure that all evaluators sign their respective declaration of interest before the kick-off of the remote evaluation;
20. Welcomes the fact that IMI 2 Joint Undertaking prepared an action plan and all four recommendations were implemented by the end of 2017;
21. Welcomes that the Joint Undertaking prepared an Action Plan in November 2017 including a wide set of actions to be implemented, of which some were already initiated, such as development of webinars, participation of SMEs, etc.;

Internal control systems

22. Acknowledges the fact that the IMI 2 Joint Undertaking has set up reliable *ex ante* control procedures based on financial and operational desk reviews; observes that for the Seventh Framework Programme interim and final payments, the Joint Undertaking performs *ex post* audits at the beneficiaries whilst for Horizon 2020 project cost claims the Commission's Common Audit Service is responsible for the *ex post* audits; notes that the error rates for the *ex post* audits reported by the Joint Undertaking at the end of 2017 were 1,29 % for the Seventh Framework Programme and 0,81 % for Horizon 2020;

23. Welcomes the fact that the IMI 2 Joint Undertaking could reduce the delays in administrative payments to contractors from 34 % to 11,1 % and the time-to-pay for interim payments to project beneficiaries from 94 to 65 days in 2017; acknowledges in this respect that the average time-to-pay for final payments of costs claimed by beneficiaries was 52 days;
 24. Observes that the Commission completed the final evaluation of the IMI 2 Joint Undertaking activities (2008-2016) and the interim evaluation of its Horizon 2020 activities (2014-2016) in 2017 with a favourable assessment and four recommendations for which action plans have been established;
 25. Notes that by the end of 2017, the Commission's Common Support Centre had not finished specific developments in the Horizon 2020 grant management and monitoring tools to serve the IMI 2 Joint Undertaking's reporting and processing needs for in-kind contributions; calls on the IMI 2 Joint Undertaking to report to the discharge authority these results;
 26. Welcomes the new website launched in 2017, which is reflecting the suggestions of IMI Joint Undertaking's main stakeholders and its own communication objectives and contributes to further visibility of the Joint Undertaking.
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