

**RESOLUTION (EU) 2019/1555 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 Shift2Rail 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 Shift2Rail 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 and the opinion of the Committee on Transport and Tourism (A8-0163/2019),
- A. whereas the Shift2Rail Joint Undertaking (the 'Joint Undertaking') was established in June 2014 for a period of 10 years by Council Regulation (EU) No 642/2014 ⁽¹⁾;
- B. whereas the founding members are the Union, represented by the Commission, and rail industry partners (key stakeholders, including rail equipment manufacturers, railway companies, infrastructure managers and research centres) with the possibility that other entities may participate in the Joint Undertaking as associated members;
- C. whereas the objectives of the Joint Undertaking are: (a) to achieve a Single European Railway Area; (b) to enhance the attractiveness and competitiveness of the European railway system and to drive forward its innovative technologies and solutions; (c) to ensure a modal shift from road transport; and (d) to maintain the European rail industry's leading position in the global market;
- D. Stresses that the Joint Undertaking needs to be given the necessary financial, material and human resources to reach these key objectives effectively and efficiently;
- E. whereas the Joint Undertaking started to work autonomously in May 2016;

General

1. Acknowledges that the Court of Auditors' report on the annual accounts of the Joint Undertaking for the year ended 31 December 2017 (the 'Court's report') presents fairly, in all material respects, the financial position of the Joint Undertaking at 31 December 2016, the results of its operations, its cash flows, and the changes in net assets for the year then ended, in accordance with the Financial Regulation and with accounting rules adopted by the Commission's accounting officer;
2. Acknowledges that the Court's report states that the transactions underlying the annual accounts of the Joint Undertaking for the financial year 2017 are, in all material respects, legal and regular;
3. Notes that the maximum Union contribution to the activities of the Joint Undertaking is EUR 450 000 000, to be paid from Horizon 2020; notes that the industry members of the Joint Undertaking are to contribute resources of at least EUR 470 000 000, consisting of at least EUR 350 000 000 for in-kind and cash contributions to the operational activities and administrative costs of the Joint Undertaking and at least EUR 120 000 000 of in-kind contributions to the Joint Undertaking's additional activities;
4. Recalls that research and innovation is not an isolated process using a simple rule for process management; stresses therefore that it is significantly important to identify among the research and innovation projects those that are capable to bring innovative solutions to the market; highlights that changes in the Regulation establishing the Joint Undertaking and in its Statutes will be very important for the next development of the Joint Undertaking in order to improve its efficiency; stresses, in particular that there is a need to foresee the use of the principle of multiannual financing and to adopt flexible timetables for publishing projects proposals;

⁽¹⁾ Council Regulation (EU) No 642/2014 of 16 June 2014 establishing the Shift2Rail Joint Undertaking (OJ L 177, 17.6.2014, p. 9)

Budget and financial management

5. Notes that the final 2017 budget available for implementation included commitment appropriations of EUR 68 600 000 and payment appropriations of EUR 44 100 000; stresses that the utilisation rates for commitment and payment appropriations were 94 % and 79 % respectively which represent a low level especially for payment appropriations; notes moreover that most of the payments made by the Joint Undertaking in 2017 were pre-financing payments for Horizon 2020 projects selected under the 2017 calls for proposals; notes that the Joint Undertaking's unused payment appropriations from previous years amounted to 7,6 million EUR; notes that according to the Joint Undertaking's reply the full amount was considered to cover the first quarter of 2018 due to the timing of the Commission's payment;
6. Observes that out of EUR 411 500 000 (including EUR 398 000 000 as the maximum of the Union cash contribution and the industry members' cash contribution to the Joint Undertakings' administrative costs of EUR 13 500 000) by the end of 2017, the Joint Undertaking had made commitments of EUR 158 800 000 and payments of EUR 78 600 000 (19,1 % of the allocated funds) for the implementation of its first wave of projects; this shows that the Joint Undertaking has currently signed interdependent multiannual grant agreements and procurement contracts for the implementation of 39 % of the Joint Undertaking's research and innovation programme, in line with the Joint Undertaking's multi-annual work programme;
7. Acknowledges the fact that out of EUR 350 000 000 of contributions to be made by the industry members to the operational activities and administrative costs of the Joint Undertaking, by the end of 2017, i.e. four months after the Joint Undertaking had launched its first Horizon 2020 projects, the industry members had reported in-kind contributions of EUR 34 900 000 for operational activities, of which EUR 3 000 000 had been certified; notes that the Governing Board had validated cash contributions to the Joint Undertaking's administrative costs of EUR 4 900 000;
8. Regrets that, by the deadline of 31 January 2018, none of the Other Members was in the position to have its costs related to 2017 in-kind operational contributions (IKOP) and in-kind other activities contributions (IKAA) certified; notes that the 2017 IKOP estimates amounted to EUR 21,3 million, which represented a positive trend in line with the usual Programme Management S-Curve; is satisfied that the declared cumulative IKAA declared by Other Members by the end of 2017 amounted to EUR 130,0 million, which is above the minimum amount of EUR 120,0 million established in accordance to the Regulation establishing the Joint Undertaking;
9. Observes that by the end of 2017, the total contributions from industry members amounted to EUR 169 800 000, compared to the Union's cash contribution of EUR 83 200 000;
10. Notes that, in 2017, the Joint Undertaking signed 17 grant agreements resulting from the calls for proposals of 2017, and that the value of the research and innovation activities of those calls for proposals amounted to EUR 110 900 000, to be co-funded by the Joint Undertaking up to a maximum of EUR 60 100 000;
11. Notes further that the Founding Members other than the Union and the Associated Members agreed to limit their request for co-funding to 44,44 % of the total project costs, which is the lowest overall for H2020 Programme; welcomes the fact that 120 SMEs participated to the 2017 call for proposals and 50 small and medium-sized enterprises (SMEs) were retained for funding (25 %);

Performance

12. Welcomes the fact that the absence of established key performance indicators (KPIs) is no longer an issue under Horizon 2020; regrets that information on third set of KPIs is not yet available due to the nature of the projects; notes that the experts call for further monitoring activity and analysis, making a clear distinction between the actually achieved KPIs at the end of each year and the projected KPIs;
13. Observes that the management cost ratio (administrative/ operational budget) remains below the 5 %, thus pointing to rather lean and efficient organisational structure of the Joint Undertaking;

14. Notes with concern the interim value of leverage effect of 0,9 at the end of 2016; calls the Joint Undertaking to take steps to meet the target leverage effect over the whole 2014-2020 period of 1,18;
15. Notes that the experts mention that the Joint Undertaking helped already to create continuity and shared common vision for rail research within the railway community; welcomes that in addition the Joint Undertaking has helped to build trust between players that would otherwise not have the opportunity to share ideas and common interests outside a commercial situation; observes that the presence of rail operators in the Joint Undertaking should be strengthened over time;
16. Notes the experts view that there is a certain danger for the Joint Undertaking to be considered as a 'closed shop', partly due to historical reasons that remain in people's minds; calls on the Joint Undertaking to address this and for progress and trust to be built, especially via the open processes for the selection of future innovation topics and new partners.

Personal selection and recruitment

17. Notes that in 2017, the Joint Undertaking recruited seven members of staff in accordance with its Staff Establishment Plan: a legal officer, an administrative and finance assistant, an operation and grant support officer and four Programme managers;
18. Notes that at the end of 2017, the Joint Undertaking's staff consisted of 20 members out of 23 foreseen in the Staff Establishment Plan;

Internal control

19. Notes that the Joint Undertaking has set up reliable ex-ante control procedures based on financial and operational desk reviews and that the Common Audit Service of Directorate-General for Research and Innovation of the Commission (the 'Common Audit Service') is responsible for the *ex post* audit of Horizon 2020 project cost claims; notes, moreover, that the situation at the end of 2017 showed that the most important internal control standards were largely implemented with some actions remaining; calls on the Joint Undertaking to report to the discharge authority about these implementations;
20. Welcomes the Joint Undertaking's willingness to experiment in 2018 a simplification of the administrative procedures through the implementation of the pilot Lump Sum Grant in a confined Programme control framework;
21. Takes note that the residual error rate for the Horizon 2020 Programme was below materiality according to the Court of Auditors (the 'Court'), amounting to 1,44 %, although it is expected to rise around 2,24 % when taking into account the draft audit reports;
22. Notes that for the *ex post* controls in 2017 the representative sample of the Joint Undertaking was identified at 15 participations representing EUR 1,3 million in terms of the Joint Undertaking's co-funding validated; regrets that no specific error rate is provided in relation to audits performed for the representative sample of the Joint Undertaking;
23. Acknowledges the fact that the Internal Audit Service performs the role of Internal Auditor of the Joint Undertaking and, in this respect, it reports to the Governing Board and the Executive Director indirectly; notes that the first audit mission consisted in establishing a risk profile of the Joint Undertaking with the objective of establishing a triennial internal audit work plan; observes that the Internal Audit Service Strategic Internal Audit Plan 2017-2019 was presented in June 2017 and that it will be reviewed annually;
24. Notes that in 2017, the Fuel Cells and Hydrogen 2 Joint Undertaking, together with the Common Audit Service launched the first *ex post* audit of a random sample of Horizon 2020 interim cost claims; calls on the Joint Undertaking to report to the discharge authority on the results of this audit;
25. Notes with regret that at the end of 2017, the Commission's common Horizon 2020 grant management and monitoring tools had not finished the specific developments needed for the processing of the Joint Undertaking's in-kind contributions; calls on the Joint Undertaking to report to the discharge authority about these developments;

26. Observes that the Commission's Interim Evaluation on the Joint Undertaking's operating activities under Horizon 2020 covering the period from 2014 to 2016 was carried out; notes that an Action Plan has been prepared and adopted by the Governing Board in June 2018; notes that some actions have been already initiated and takes into consideration that not all recommendations will be addressed under the current Financial Framework Programme;

Operational procurement and grants

27. Notes that some qualitative shortcomings were observed in the Joint Undertaking's open procedure for the procurement of communication and event services of an estimated budget of EUR 1 200 000 over four years; notes that according to the Joint Undertaking's reply, the Joint Undertaking decided not to introduce minimum financial capacity in order not to discourage the participation of SMEs to the call for tender;

Other issues

28. Welcomes the fact that the Joint Undertaking has established its own anti-fraud strategy and action plan, as remedy action to the main comments of the Court with the framework of the 2016 discharge;
29. Notes that the Joint Undertaking has adopted rules governing conflicts of interest in respect of its members, bodies, staff and seconded staff, as well as its Governing Board members and has put in place a tailor-made anti-fraud strategy complementing the H2020 strategy, including an assessment of its risks and opportunities;
30. Insists on the importance of the cooperation between the Joint Undertaking and the Union Agency for Railways (ERA); welcomes the involvement of ERA in meetings of the Joint Undertaking's Governing Board and in the groups that drafted the Multi-Annual Action Plan; notes, moreover, that the Joint Undertaking assessed the request for research and innovation coming from ERA to avoid overlapping activities.
31. Welcomes the Joint Undertaking's synergies with other Union programmes and funds, e.g. the 'Stairways to Excellence' Pilot Project of the European Parliament, and welcomes the cooperation with other relevant projects, such as SESAR or Rail Baltica Project;
32. Welcomes the activities undertaken towards increasing the online visibility of the Joint Undertaking; notes restructuring of the website, introduction of the bimonthly newsletter, the increase in the number of visitors, social media followers and press coverage;
33. Welcomes the fact that the Joint Undertaking has put in place a tailor-made anti-fraud strategy complementing the Horizon 2020 strategy, including an assessment of its risks and opportunities.
-