

**RESOLUTION (EU) 2021/1678 OF THE EUROPEAN PARLIAMENT****of 29 April 2021****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 2019**

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 2019,
  - having regard to Rule 100 of and Annex V to its Rules of Procedure,
  - having regard to the opinion of the Committee on Transport and Tourism,
  - having regard to the report of the Committee on Budgetary Control (A9-0111/2021),
- A. whereas the Shift2Rail Joint Undertaking (the 'Joint Undertaking') was established in June 2014 for a period of 10 years by Regulation (EU) No 642/2014;
- B. whereas the founding members are the European 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 of other entities participating in the Joint Undertaking as associated members; whereas contributions of members other than the Union should not be limited to only covering the administrative costs and the co-financing required to carry out research and innovation actions, they should also relate to additional activities;
- C. whereas the main objectives of the Joint Undertaking are to contribute to the achievement of the Single European Railway Area, and to enhance the attractiveness, competitiveness, sustainability, and integration of the European railway system, facilitating, inter alia, a modal shift from road and air to rail transport;
- D. whereas the Joint Undertaking started to work autonomously in May 2016;

**General**

1. Notes that the report of the Court of Auditors (the 'Court') on the Joint Undertaking's annual accounts for the financial year 2019 (the 'Court's report') finds the annual accounts to be presented fairly, in all material respects, with regards to the Joint Undertaking's financial position on 31 December 2019 and 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 the accounting rules adopted by the Commission's accounting officer; notes that, according to the Court's report, the transactions underlying the accounts are, in all material respects, legal and regular;
2. Notes that, for the period set in the Regulation, the maximum Union contribution to the activities of the Joint Undertaking is EUR 450 000 000 (including EFTA contributions), to be paid from Horizon 2020; notes that all members of the Joint Undertaking other than the Union (industry grouping) are to contribute resources of at least EUR 470 000 000, consisting of at least EUR 350 000 000 in 'in-kind' and cash contributions to the operational and administrative costs of the Joint Undertaking, and at least EUR 120 000 000 in 'in-kind' contributions to the Joint Undertaking's additional activities;
3. Notes that there are different procedures across the Joint Undertakings for receiving financial contribution from Joint Undertaking's private members; calls for a harmonisation of the in-kind contribution calculation across the Joint Undertakings; the common procedure should provide for transparent and effective methods of evaluation having as result the real value for the contribution; calls on the Court to provide the scrutiny of the audits performed by the independent external auditors; calls also for an appropriate legal framework that ensures that the required financial contribution amount will be achieved by the end of the programme; notes that legal framework could include requirements for the private contribution to be paid before or at the same time as the corresponding Union contribution;

4. Notes that, in total, more than 400 public and private entities, representing the railway sector, participate to the Shift2Rail research and innovation activities;
5. Highlights the Joint Undertaking's contribution to achieving the objectives of the European Green Deal; welcomes in this respect, the research and innovation efforts of the Shift2Rail towards achieving a more sustainable, digital, competitive, reliable and attractive railway system in Europe;
6. Supports the proposed establishment of the Rail European Partnership on research and innovation that will build on the success of the Joint Undertaking; highlights the need to explore opportunities for funding of programmes and projects under Union programmes such as the Connecting Europe Facility, the Digital Europe Plan, the European Regional Development Fund and the Cohesion Fund, as well as to develop synergies between the new Partnership and the existing funding mechanisms;
7. Believes that the successor of the Shift2Rail should include in the research programme joint work with other modes of transport in order to pave the way towards seamless and integrated transport; points out that the automation and digitalisation of the rail sector should be one of the priorities of the successor to Shift2Rail;
8. Calls on the Commission to assure that the future Joint Undertaking's activity program will respect the requirements and the targets provided by the Union law as far as concern the mitigation of the climate change and the digitalization and will follow the strategies in the domain elaborated by both Commission and industry;

#### ***Budget and financial management***

9. Notes that the final budget available in 2019, including re-entered unused appropriations from previous years, assigned revenues and reallocations to the next year, comprised commitment appropriations of EUR 83 071 000 and payment appropriations of EUR 81 563 000; notes that in 2019, the utilisation rates for the available commitment and payment appropriations were 97 % and 86 % respectively;
10. Notes that the Joint Undertaking's active Horizon 2020 budget available in 2019 was EUR 80 197 000 in commitment appropriations and EUR 78 569 000 in payment appropriations; notes furthermore from the Court's report that at the end of 2019, the Joint Undertaking implemented 100 % of commitment appropriations and 88 % of the payment appropriations available for Horizon 2020 projects, and that the pre-financing payments for Horizon 2020 projects selected under the 2019 call for proposals amounted to 65 % of the value of the operational payments made during the year;
11. Notes that for Horizon 2020 at the end of 2019, the industry members made a total of EUR 76 827 000 validated contributions, comprising a total of EUR 68 645 000 validated in-kind contributions, and additionally a total in-kind contribution to additional activities of EUR 182 506 000, compared to the Union total cash contribution of EUR 221 743 000;
12. Notes that, in 2019, the Joint Undertaking retained and signed 17 grant agreements (out of 48 proposal received) resulting from the 2019 call for proposals, and that one topic was not covered; moreover, notes that, in total, the awarded and signed grants will fund research and innovation activities up to EUR 74 760 000 against a total value of EUR 148 551 000, and that in this respect, the other members (founding members other than the Union and the associated members) agreed to limit their requests for funding to 44,44 % of the total project cost (i.e. a net of 41,44 % for an other member after taking into account its obligations); notes that under the 2019 call, 90 small and medium-sized enterprises (SMEs) participated (20 %) and that 40 SMEs were retained for funding (44,4 %), and moreover that SMEs represent 30 % of the entities selected in the open calls projects; notes that two grants related to the call 2018 were signed in the first quarter of 2019;
13. Notes that at the end of 2019, 72 projects were ongoing (32 calls for members and 40 open calls): 56 projects were distributed on the 6 innovation programmes, 10 projects on the cross cutting activities, and 6 projects in Innovation Programme X;

#### ***Performance***

14. Notes that the Joint Undertaking uses the specific key performance indicators for Horizon 2020 for monitoring performance and cross-cutting issues, as well as key performance indicators specific to the Joint Undertaking, such as those for the efficiency of the railway transport system; notes that, during 2019, the Joint Undertaking continued the work on the next Release of the key performance indicators model (presented in 2018 as Release 1), and that the web-based tool Release 2.0 of the key performance indicators model was presented during the meeting of the governing board in November 2019;

15. Requests that the Joint Undertaking reviews its communication strategy to ensure that relevant stakeholders are aware of its mission, activities and achievements.
16. Calls on the Commission and the Court to develop an in-depth performance tracking method with a view to evaluating the added value of the Joint Undertaking and including the social, employment impact as well as impact on the market; the results of the evaluation should be used for future or redistribution of Union financing;
17. Notes that, by the end of 2019, more than 50 % of the Joint Undertaking's Programme concerning research and innovation activities has been delivered with a view to attaining Technology Readiness Level 6/7 in respect of the operational demonstrations (planned to conclude in 2022), and that, in general, all projects have delivered the planned activities, with only 8 technology demonstrators/ work areas having performed less than 80 % of their planned activities in the year (of which one technology demonstrator below 50 %), and furthermore that the Joint Undertaking has initiated the research and innovation activities of the 2019 call;
18. Notes that the Joint Undertaking's current activities are progressing towards their demonstrations in 2022, that they are the building blocks of a more systemic railway transformation which is strategically driven by the Commission's Digitalisation Agenda and Green Deal, and that in September 2019, the first workshop brainstorming on the next partnership and the ambition of the rail sector was organised with Commission participating as observer; furthermore, notes that the Joint Undertaking contributed to the Shift2Rail impact assessment coordinated by Directorate-General Research and Innovation and to the 'Supporting analysis for defining the future rail research and innovation partnership under the next multi-annual financial framework' coordinated by Directorate-General for Mobility and Transport, and supported the development of a high-level paper on the Shift2Rail successor; notes that in October 2019, the Joint Undertaking presented the Catalogue of Solutions, highlighting the benefits of Shift2Rail solutions for final users, operators, infrastructure managers and/or suppliers, as well as specifying delivery dates;
19. Notes that, during 2019, the Joint Undertaking has progressed towards achieving its targets, delivering the Shift2Rail Programme implementation and ensuring an effective and efficient sound financial management; notes that it is estimated that the total project cost of the activities performed in 2019 is EUR 117,5 million (of which EUR 98,9 million was provided by other members);
20. Notes that, according to the Court's report, at the end of 2019, the Horizon 2020 programme implementation rate stood at 78 % with regard to the call procedures for the activities assigned to the Joint Undertaking;
21. The issue of Intellectual Property Rights needs to be addressed in all contracts which may produce an intended outcome or result of the performance; it aims at safeguarding the rights of individual creators but also provide details how the right will be used in the future; since the activity is financed also with public money, the results should be transparent, accessible to the public and subject to special requirements, as for example interoperability if necessary; calls on the Commission for a legal framework regarding the intellectual property rights and their implementation on the market, including special requirements and profit distribution;

### ***Staff and procurement***

22. Notes that at 31 December 2019, 24 staff positions were filled, consisting of 3 seconded national experts, 5 temporary agents, and 16 contract agents, as per establishment plan, and, in addition, in order to ensure the continuity of operations, the Joint Undertaking carried out an exceptional recruitment process for a contract agent for one year to replace a temporary agent on long-term absence, as provided in the Staff Regulation; notes the high staff turnover of the Joint Undertaking and that this is due to the fact that, contrary to almost all other Union Institutions, Agencies and Joint Undertakings, the Joint Undertaking has a Staff Establishment Plan that provides for 25 % of positions to be temporary agents positions and 75 % to be contract agents positions;
23. Notes that, in the 2019 annual activity report of the Joint Undertaking, the key performance indicators regarding gender balance for that year show a very low percentage of women - only 16 % - on the board, while they made up 33 % of the Joint Undertaking representatives and 33 % of the Scientific Committee;
24. Notes that in 2019 the Joint Undertaking performed calls for tenders on railway operators and on support services for the Joint Undertaking, in compliance with the principles of the Financial Regulation and the guidance provided by Commission, and that at the end of 2019, two tenders were still to be finalised;

**Internal Audit**

25. Notes that in 2019 the internal audit service performed an audit on the grant process from the identification of the call topics to the signature of the grant agreement, and that, following the Final Audit Report in October 2019, the internal audit service recognised the ongoing efforts made by the Joint Undertaking to strictly monitor the duration of the grant preparation phase to ensure that the Horizon 2020 'time to grant' target is respected; notes that the Joint Undertaking started implementing remedial activities as defined in the Action Plan for the four important recommendations to management;
26. Notes that by the end of 2019, the Joint Undertaking reported all recommendations, resulting from the limited review of the implementation of internal control standards of 2018, as implemented;

**Internal Control**

27. Notes that, according to the Court's report, the Joint Undertaking has set up reliable ex-ante control procedures based on financial and operational desk reviews and that it is obliged to implement the Commission's new internal control framework based on 17 internal control principles; notes, furthermore, that, according to the Court's report, at the end of 2019, the Joint Undertaking already completed a gap analysis based on the existing internal control system and developed indicators for the assessment of the effectiveness of the new internal control principles and related characteristics;
  28. Notes that in April 2019, the Joint Undertaking assessed its research and innovation activities through a third control gate exercise that took into account the deliverables and reports submitted in the context of the Annual Review of the 2015-2016 and 2017 Projects coordinated by the other members, while also ensuring that the recommendations made during the previous control-gate assessment had been properly applied; notes, moreover, that the quality of some deliverables submitted was substandard, that the Joint Undertaking requested several re-submissions of deliverables and suspended technical and financial reports, and that his process is still particularly demanding as no advance planning can be made; notes that in 2019, the Joint Undertaking piloted, in some projects, a new continuous review process for deliverables combined with a control gate at the moment of the annual review, which was considered to be successful; calls on the Joint Undertaking to report on any development in that regard;
  29. Notes that the Joint Undertaking continued to implement the Shift2Rail Anti-Fraud Strategy 2017-2020 complementing the Horizon 2020 strategy; notes, furthermore, that five indicators are used to report on the results of fraud prevention and detection activities, and that the Action plan for implementation, covering the different stages of the anti-fraud cycle (prevention, detection, investigation and corrective measures) was reviewed in 2019;
  30. Notes that, according to the Court's report, the Common Audit Service of the Commission (CAS) is responsible for the ex-post audit of Horizon 2020 payments made by the Joint Undertaking and that, based on the ex-post audit results available at the end of 2019, the Joint Undertaking reported a representative error rate of 1,54 % and a residual error rate of 0,91 % for Horizon 2020 projects (clearings and final payments); notes from the Commission's proposal for a Horizon 2020 regulation that a risk of error, on an annual basis, within a range of between 2 to 5 % is a realistic objective, taking into account the cost of controls, the simplification measures proposed to reduce the complexity of rules and the related inherent risk associated with the reimbursement of the costs of the research project, and that the ultimate aim for the residual level of error at the closure of the programmes after the financial impact of all audits, correction and recovery measures is taken into account, is the achievement of a level as close as possible to 2 %;
  31. Notes that the Court, as part of the operational payment controls, audited randomly-sampled Horizon 2020 payments, made in 2019, at the level of the final beneficiaries to corroborate the ex-post audit error rates, and that the detailed audits revealed minor quantifiable errors related to the declared personnel costs, with the main sources of errors being work hours claimed on holidays, and the use of unit rates, including estimated elements that deviated significantly from the actual unit rates;
  32. Notes that the CVs and declarations of interest of the governing board are not published; calls on the Joint Undertaking to publish the CVs and the declaration of interest of the governing board in the light of the transparency framework and to guarantee user-friendly access to them.
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